+Hearing Date and Time: October 29, 2003 at 10:00 a.m. (New York City Time)
Objection Deadline: ________, 2003 at 4:00 p.m. (New York City Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

NOTICE OF HEARING TO CONSIDER APPROVAL OF MOTION OF ENRON CORP., ET AL. FOR ORDER, PURSUANT TO SECTIONS 105, 502, 1125, 1126, AND 1128 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2002, 3003, 3017, 3018 AND 3020, (I) APPROVING THE DISCLOSURE STATEMENT FOR AMENDED JOINT PLAN OF AFFILIATED DEBTORS, (II) SETTING A RECORD DATE FOR VOTING PURPOSES, (III) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF, (IV) APPROVING FORMS OF BALLOTS AND ESTABLISHING PROCEDURES FOR TABULATION OF THE VOTE ON THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS, AND (V) SCHEDULING A HEARING AND ESTABLISHING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF CONFIRMATION OF THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS

PLEASE TAKE NOTICE that a hearing to consider the motion, dated September 18, 2003 (the “Motion”), of Enron Corp. and its affiliated debtor entities, as debtors and debtors in possession (collectively, the “Debtors”), for an order, pursuant to sections 105, 502, 1125, 1126, and 1128 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 2002, 3003, 3017, 3018, and 3020 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), (a) approving the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003, (b) setting a record date for voting purposes, (c) approving solicitation packages and procedures for distribution thereof, (d) approving forms of ballots and establishing procedures for tabulation of the vote on the Amended Joint Plan Of Affiliated Debtors Pursuant To Chapter 11 Of The United States Bankruptcy Code, dated September 18, 2003 (the "Plan"), and (e) scheduling a hearing and establishing notice and objection procedures in respect of confirmation of the Plan will be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, in Room 523 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green (the "Bankruptcy Court"), New York, New York, on October 29, 2003 at 10:00 a.m. (New York City Time) (the "Hearing"), or as soon thereafter as counsel may be heard; provided, however, that the Hearing may be adjourned from time to time without further notice other than by an announcement in the Bankruptcy Court of such adjournment on the date scheduled for the Hearing.

PLEASE TAKE FURTHER NOTICE that responses or objections to the Motion, if any, must be in writing, conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers), and be served in accordance with

General Order M-242 upon (1) the Debtors, 1400 Smith Street, Houston, Texas 77002-7361, Attention: General Counsel; (2) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attention: Martin J. Bienenstock, Esq. and Brian S. Rosen, Esq. (Facsimile: 212-310-8007), counsel to the Debtors; (3) Togut, Segal & Segal LLP, One Penn Plaza, New York, New York 10119, Attention: Albert Togut, Esq. (Facsimile: 212-967-4258), co-counsel to the Debtors; (4) Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, New York 10005, Attention: Luc A. Despins, Esq. (Facsimile: 212-530-5219), counsel to the Creditors' Committee; (5) Squire, Sanders & Dempsey, L.L.P., 312 Walnut Street, Suite 3500, Cincinnati, OH 45202, Attention: Stephen D. Lerner, Esq. (Facsimile: 513-361-1201), co-counsel to the Creditors' Committee; (6) Kronish Lieb Wiener & Hellman L.L.P., 1114 Avenue of the Americas, New York, New York 10036-7798, Attention: James A. Beldner, Esq. (Facsimile: 212-479-6275), counsel to the Employee Related Issues Committee; (7) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attention: Mary Elizabeth Tom, Esq.; (8) Davis, Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attention: Donald S. Bernstein, Esq. (Facsimile: 212-450-3800), counsel to JP Morgan Chase Bank, as Agent; and (9) Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, Attention: Fredric Sosnick, Esq. (Facsimile: 212-848-7179), counsel to Citicorp, as Agent, in each case so as to be actually received by no later than 4:00 p.m. (New York City Time) on October ___, 2003.

Dated: New York, New York
September 18, 2003

/s/ Brian S. Rosen
Martin J. Bienenstock (MB 3001)
Brian S. Rosen (BR 0571)
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

MOTION OF ENRON CORP., ET AL. FOR ORDER, PURSUANT TO SECTIONS 105, 502, 1125, 1126, AND 1128 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2002, 3003, 3017, 3018 AND 3020, (I) APPROVING THE DISCLOSURE STATEMENT FOR AMENDED JOINT PLAN OF AFFILIATED DEBTORS, (II) SETTING A RECORD DATE FOR VOTING PURPOSES, (III) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF, (IV) APPROVING FORMS OF BALLOTS AND ESTABLISHING PROCEDURES FOR TABULATION OF THE VOTE ON THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS, AND (V) SCHEDULING A HEARING AND ESTABLISHING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF CONFIRMATION OF THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS

TO THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE:

Enron Corp. and certain of its affiliates, as debtors and debtors in possession (collectively, the “Debtors”), file this motion (the “Motion”) and respectfully represent:

JURISDICTION

1. The Bankruptcy Court has jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

2. Commencing December 2, 2001 (the "Petition Date") and periodically thereafter, the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to be authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases have been procedurally consolidated for administrative purposes.

3. On December 12, 2001 and March 29, 2002, in accordance with section 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed a statutory committee of unsecured creditors (the "Creditors' Committee"), and an employment related-issues committee (the "Employee Committee"), respectively, for the Debtors' chapter 11 cases. The Creditors' Committee and the Employee Committee have been reconstituted from time to time.

A. PLAN AND DISCLOSURE STATEMENT

4. On July 11, 2003, the Debtors filed their Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated July 11, 2003 and their Disclosure Statement For Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code related thereto. Contemporaneously herewith, the Debtors have filed their Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States

Bankruptcy Code dated September 18, 2003 (as may be further amended, the “Plan”), and their Disclosure Statement For Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code related thereto (as may be further amended, the “Disclosure Statement”).

5. The Court has scheduled a hearing to consider the adequacy of the information contained in the Disclosure Statement (the “Disclosure Statement Hearing”) and this Motion on October 29, 2003 at 10:00 a.m. (New York City Time).

6. As noted above, on December 2, 2001 and continuing thereafter, Enron Corp. and certain of its direct and indirect subsidiaries and affiliates filed voluntary petitions seeking protection under chapter 11 of the Bankruptcy Code, thereby commencing one of the largest and most complex chapter 11 cases in the United States. These chapter 11 cases involve most of the major institutional investors in the U.S., as well as many from around the world. Similarly, these cases involve thousands of trade creditors, energy traders, former employees, and other creditor and equity constituencies located domestically and world-wide.

7. Given the diverse creditor body and the myriad of complex issues posed by these chapter 11 cases, the Debtors and the Creditors’ Committee have spent the past year conducting extensive diligence and engaging in negotiations regarding the terms of a chapter 11 plan and related matters. These discussions focused on a variety of issues, including, but not limited to, (a) maximizing value to creditors, (b) resolving issues regarding substantive consolidation and other inter-estate and inter-creditor disputes, and (c) facilitating an orderly and efficient distribution of value to creditors. The Plan represents the culmination of these efforts, as well as negotiations with various other creditor constituencies. The Creditors’ Committee

fully supports the Plan, including the compromises and settlements embodied therein. The Debtors hope to achieve confirmation of the Plan by the end of January 2004.

8. By order, dated August 14, 2003, the Debtors retained Innisfree M&A Incorporated (the "Solicitation Agent") as the Debtors' balloting, tabulation and solicitation agent. The Solicitation Agent has extensive experience with handling large, complex chapter 11 solicitations (e.g., WorldCom, Global Crossing, Armstrong World Industries and Kmart), including the solicitation of votes of, or distribution of notices to, beneficial owners through their nominee holders.

B. ESTIMATION AND VOTING PROCEDURES

9. On August 28, 2003, the Debtors filed their Motion for Order Establishing Procedures To Estimate Disputed, Unliquidated, Or Contingent Claims, (2) Establishing Procedures To Estimate Counterclaims, (3) Establishing Procedures To Compromise Claims And Counterclaims, and (4) Fixing Notice Procedures And Approving Form and Manner of Notice (the "Estimation Motion"). The Estimation Motion seeks Court approval of certain procedures related to the allowance of contingent, unliquidated and disputed claims for purposes of allowance and distribution under the Plan. The Estimation Motion is set for hearing on September 25, 2003.

10. On August 28, 2003, the Debtors filed their Motion for Order Pursuant to Sections 105(a), 502(c), 1125 and 1126 of the Bankruptcy Code and Rules 3003, 3017 and 3018 of the Federal Rules of Bankruptcy Procedure Establishing Voting Procedures in Connection with the Plan Process and Temporary Allowance of Claims Procedures Related Thereto (as supplemented, the "Temporary Allowance Motion"). On September 18, 2003, the Debtors filed

their Supplement to the Temporary Allowance Motion. The Temporary Allowance Motion is also set for hearing on September 25, 2003.

11. In the Temporary Allowance Motion, the Debtors request that the Court enter an order establishing the following voting procedures:

(a) if a claim is deemed allowed pursuant to the Plan, then such claim shall be allowed for voting purposes in the amount and classification deemed allowed in the Plan;

(b) except as otherwise provided in (f), (g) and (h) below and unless temporarily allowed for voting purposes in accordance with the Temporary Allowance Procedures Order, if a filed proof of claim asserts a claim in a wholly unknown or unliquidated amount or is docketed in Bankruptcy Services, LLC's ("BSI") database as of October 20, 2003 in the amount of $0, then such claim shall be allowed for voting purposes only in the amount of $1.00;

(c) except as otherwise provided in (f), (g) and (h) below and unless temporarily allowed for voting purposes in accordance with the procedures set forth in the Temporary Allowance Procedures Order, if a filed proof of claim asserts a claim in a partially unknown or unliquidated amount, then such claim shall be allowed for voting purposes only in the amount of the known or liquidated portion of the claim;

(d) if a claim has been estimated and allowed by an order of the Bankruptcy Court in accordance with the Estimation Motion, then such claim will be allowed for voting purposes in the amount approved by the Bankruptcy Court, provided that the order is entered on or before December 19, 2003;

(e) if a claim is listed in the Debtors' schedules as contingent, unliquidated, or disputed and a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim established by the Bankruptcy Court, or (ii) deemed timely filed by an order of the Bankruptcy Court prior to October 20, 2003, unless the Debtors have consented in writing, then such claim shall be disallowed for voting purposes;

(f) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the entirety of a claim on or before October 20, 2003 and (ii) the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then such claim shall be disallowed for voting purposes;

(g) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceedings or otherwise to a portion of a claim on or before October 20, 2003 and (ii) such portion of the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection;

(h) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceedings or otherwise to the classification of all or part of a claim on or before October 20, 2003 (including any requests to subordinate such claim) and (ii) such claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount and classification that is not the subject of the pending objection (if any);

(i) unless otherwise temporarily allowed for voting purposes in accordance with the procedures set forth in the Temporary Allowance Procedures Order, if one proof of claim asserts the same claim against multiple Debtors, then such claim will be allowed for voting purposes only against the Debtor as docketed in BSI's claims database as of October 20, 2003;

(j) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Bankruptcy Court, the allowed amount of any proof of claim for voting purposes shall be the amount as docketed in BSI's claims database as of October 20, 2003;

(k) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Bankruptcy Court, for purposes of determining eligibility to vote, the classification of a claim shall be determined based on the classification as docketed in BSI's claims database as of October 20, 2003; provided, however, that any claims for which BSI was unable to identify the classification shall be classified as general unsecured claims;

(l) if a creditor opts into or out of a particular convenience class (as may be applicable under the Plan), then any such election shall be binding upon such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor or in a different amount;

(m) if a claim is allowed pursuant to a Bankruptcy Court-approved settlement on or before December 19, 2003, then such claim will be entitled to vote on the Plan in accordance with the terms of such settlement;

(n) unless temporarily allowed for voting purposes in accordance with the procedures set forth in the Temporary Allowance Procedures Order, if a proof of claim asserts a claim that is not in U.S. dollars, such claim will be treated as unliquidated and allowed for voting purposes only in the amount of $1.00;

(o) unless temporarily allowed for voting purposes in accordance with the procedures set forth in the Temporary Allowance Procedures Order, if (i) a proof of claim was filed after the applicable Bar Date, (ii) the creditor did not obtain leave to late file, and (iii) the proof of claim is not docketed in BSI's database as of October 20, 2003 as an amendment of a timely filed claim, then such claim shall be disallowed for voting purposes only;

(p) unless otherwise temporarily allowed for voting purposes in accordance with the procedures set forth in the Temporary Allowance Procedures Order, if a claim does not list a Debtor or is docketed as "unknown" in BSI's database as of October 20, 2003, then such claim will be allowed for voting purposes only against Enron Corp.; and

(q) unless otherwise temporarily allowed for voting purposes in accordance with procedures set forth in the Temporary Allowance Procedures Order, if a claim is disallowed pursuant to section 502(d) of the Bankruptcy Code or is equitably subordinated under the Bankruptcy Code, then such claim shall be disallowed for voting purposes only.

12. In addition, in the Temporary Allowance Motion, the Debtors request that the Court enter an order establishing the following procedures be adopted to ensure an orderly temporary allowance process:

(a) all motions to seek temporary allowance of a claim for voting purposes (the "Temporary Allowance Request Motions") must be filed with the Court on or before November 14, 2003;

(b) all responses to Temporary Allowance Request Motions must be filed on or before December 4, 2003;

(c) the movant may file a reply to any response on or before December 9, 2003;

(d) a hearing must be held on the Temporary Allowance Request Motions on or before December 17, 2003; and

(a) orders temporarily allowing such claims must be entered by the Bankruptcy Court on or before December 19, 2003.

13. Temporary allowance of claims for voting purposes and related voting procedures will be governed by the order entered regarding the Temporary Allowance Motion (the "Temporary Allowance Procedures Order"). In contrast, this Motion seeks approval of the Disclosure Statement and certain solicitation procedures.

RELIEF REQUESTED

14. By this Motion and pursuant to sections 105, 502, 1125, 1126, and 1128 of the Bankruptcy Code and Rules 2002, 3003, 3017, 3018, and 3020 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtors seek entry of an order: (a) approving the Disclosure Statement, a copy of which is attached hereto as Exhibit A; (b) setting a record date for voting purposes; (c) approving the solicitation packages and procedures for distribution thereof; (d) approving the forms of ballots and establishing procedures for voting on the Plan; and (e) scheduling a hearing and establishing notice and objection procedures with respect to confirmation to the Plan.

GROUNDS FOR RELIEF

A. PROPOSED DISCLOSURE STATEMENT

15. Pursuant to section 1125 of the Bankruptcy Code, a plan proponent must provide holders of impaired claims with "adequate information" regarding a debtor's proposed chapter 11 plan. In that regard, section 1125(a)(1) of the Bankruptcy Code provides:

> "[A]dequate information" means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the

> nature and history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan. . . .

11 U.S.C. § 1125(a)(1). Thus, a debtor's disclosure statement must, as a whole, provide information that is "reasonably practicable" to permit an "informed judgment" by impaired creditors entitled to vote on the plan. *See In re Dakota Rail, Inc.*, 104 B.R. 138, 142 (Bankr. D. Minn. 1989); *see also In re Copy Crafters Quickprint Inc.*, 92 B.R. 973, 979 (Bankr. N.D.N.Y. 1988) (adequacy of disclosure statement "is to be determined on a case-specific basis under a flexible standard that can promote the policy of chapter 11 towards fair settlement through a negotiation process between informed interested parties"). The bottom-line requirement of a disclosure statement is that it "must clearly and succinctly inform the average unsecured creditor what it is going to get, when it is going to get it, and what contingencies there are to getting its distribution." *In re Ferretti*, 128 B.R. 16, 19 (Bankr. D.N.H. 1991).[1]

16. In examining the adequacy of the information contained in a disclosure statement, the bankruptcy court has broad discretion. *See Texas Extrusion Corp. v. Lockheed Corp.* (*In re Texas Extrusion Corp.*), 844 F.2d 1142, 1157 (5th Cir. 1988); *see also In re Oxford Homes*, 204 B.R. 264 (Bankr. D. Me. 1997) (Congress intentionally drew vague contours of what constitutes adequate information so that bankruptcy courts can exercise discretion to tailor them to each case's particular circumstances); *Dakota Rail*, 104 B.R. at 143 (bankruptcy court has "wide discretion to determine . . . whether a disclosure statement contains adequate information without burdensome, unnecessary and cumbersome detail"). This grant of discretion was intended to facilitate effective reorganization of a debtor in the broad range of businesses in

1 *Cf. Kirk v. Texaco, Inc.*, 82 B.R. 678, 681-82 (S.D.N.Y. 1988) ("whether a disclosure statement required under [section 1125(b)] contains adequate information is *not* governed by otherwise applicable nonbankruptcy law, rule, or regulation") (citing 11 U.S.C. § 1125(d)).

which chapter 11 debtors engage and the broad range of circumstances that accompany chapter 11 cases. *See* H.R. Rep. No. 595, 95th Cong., 1st Sess. 408-09 (1977). "In reorganization cases, there is frequently great uncertainty. Therefore, the need for flexibility is greatest." *Id*. at 409. Accordingly, the determination of whether a disclosure statement contains adequate information is to be made on a case-by-case basis, focusing on the unique facts and circumstances of each case. *See In re Phoenix Petroleum Co.*, 278 B.R. 385, 393 (Bankr. E.D. Pa. 2001).

17. In that regard, courts generally examine whether the disclosure statement contains, if applicable, the following types of information:

(a) the circumstances that gave rise to the filing of the bankruptcy petition;

(b) an explanation of the available assets and their value;

(c) the anticipated future of the debtor;

(d) the source of the information provided in the disclosure statement;

(e) a disclaimer, which typically indicates that no statements or information concerning the debtor or its assets or securities are authorized, other than those set forth in the disclosure statement;

(f) the condition and performance of the debtor while in chapter 11;

(g) information regarding claims against the estate;

(h) a liquidation analysis setting forth the estimated return that creditors would receive under chapter 7;

(i) the accounting and valuation methods used to produce the financial information in the disclosure statement;

(j) information regarding the future management of the debtor, including the amount of compensation to be paid to any insiders, directors and/or officers of the debtor;

(k) a summary of the plan of reorganization or liquidation;

(l) an estimate of all administrative expenses, including attorneys' fees and accountants' fees;

(m) the collectibility of any accounts receivable;

(n) any financial information, valuations or *pro forma* projections that would be relevant to creditors' determinations of whether to accept or reject the plan;

(o) information relevant to the risks being taken by the creditors and interest holders;

(p) the actual or projected value that can be obtained from avoidable transfers;

(q) the existence, likelihood and possible success of nonbankruptcy litigation;

(r) the tax consequences of the plan; and

(s) the relationship of the debtor with its affiliates.

See, e.g., *In re Scioto Valley Mortgage Co.*, 88 B.R. 168, 170-71 (Bankr. S.D. Ohio 1988); *see also Oxford*, 104 B.R. at 269 (using similar list). Such list is not meant to be comprehensive; neither must a debtor provide all the information on the list; rather, the court must decide what is appropriate in each case. *See Ferretti*, 128 B.R. at 18-19 (adopting similar list); *see also Phoenix Petroleum*, 278 B.R. at 393 (making use of similar list but cautioning that "no one list of categories will apply in every case").

18. The Debtors submit that the Disclosure Statement addresses each of the salient types of information identified above in a manner that provides holders of impaired claims that are entitled to vote to accept or reject the Plan with adequate information to allow them to make an informed judgment about the Plan. Specifically, the Disclosure Statement includes (a) the circumstances that gave rise to the filing of the bankruptcy petitions; (b) an explanation of the available assets and their value for purposes of distributions under the Plan and on a liquidation basis; (c) the anticipated future of the Debtors; (d) the source of the information provided in the Disclosure Statement; (e) a disclaimer indicating that no statements

or information concerning the Debtors or securities are authorized, other than those set forth in the Disclosure Statement; (f) the condition and performance of the Debtors while in chapter 11; (g) significant events during the course of the these chapter 11 cases; (h) information regarding claims against the estates; (i) a liquidation analysis setting forth the estimated return that creditors would receive under a hypothetical chapter 7; (j) the accounting and valuation methods used to produce the financial information in the Disclosure Statement; (k) certain information regarding the future management of the Debtors; (l) a summary of the Plan; (m) an estimate of all administrative expense claims, including professional compensation claims; (n) financial information, valuations, and *pro forma* projections that would be relevant to creditors' determinations of whether to accept or reject the Plan; (o) information relevant to the risks being taken by the creditors and interest holders; (p) the tax consequences of the Plan; and (q) the relationship of the Debtors to each other.

19. In addition to the types of information that courts typically require, the Disclosure Statement provides an overview of the chapter 11 process for those creditors who may be unfamiliar with chapter 11. The Disclosure Statement also provides an analysis of the alternatives to the Plan and concludes with a recommendation by the Debtors that creditors should vote to accept the Plan because it provides the highest and best recoveries to holders of claims against the Debtors.

20. The Debtors submit that the Disclosure Statement contains all or substantially all information typically considered by courts and respectfully request that the Bankruptcy Court approve the Disclosure Statement as it clearly meets the requirements of section 1125 of the Bankruptcy Code.

B. SETTING RECORD DATE

21. Bankruptcy Rule 3017(d) provides that, for the purposes of soliciting votes in connection with the confirmation of a chapter 11 plan, "creditors and equity security holders shall include holders of stock, bonds, debentures, notes and other securities of record on the date the order approving the disclosure statement is entered or another date fixed by the court, for cause, after notice and a hearing." Fed. R. Bankr. P. 3017(d). Bankruptcy Rule 3018(a) contains a similar provision regarding determination of the record date for voting purposes. However, both Rule 3017 and Rule 3018 authorize the Court to establish a different date following notice and a hearing.

22. In accordance with these rules, the record date is typically the date an order approving the disclosure statement is entered. Nevertheless, in order to set a record date, the record holders of the Debtors' securities need advance notice to enable those responsible for assembling ownership lists of the Debtors' public securities to compile a list of holders as of a date certain. Accurate lists often cannot be prepared retroactively as to ownership on a prior date. Prior to the solicitation of votes, the Debtors must finalize the list of creditors to be solicited, print individualized ballots and master ballots, prepare the Solicitation Packages (as defined below), mail the Solicitation Packages, finalize the list of non-voting parties in interest to be notified, print the notices, prepare the mailing, and mail the notices. In order to do so, the Debtors must coordinate with the registrars of any prepetition debt securities, as well as agents for any syndicated bank groups, to ensure that Solicitation Packages and ballots or notices (as may be appropriate) are sent to the beneficial owners.

23. In consultation with the Solicitation Agent, the Debtors estimate that it may require up to three weeks to obtain and process the appropriate creditor data from various

sources to prepare for the mailing. Once processed, the Debtors estimate that it will require an additional week to generate the appropriate mailing labels or personalized ballots as may be appropriate. Accordingly, the Debtors request that the Bankruptcy Court exercise its power under section 105(a) of the Bankruptcy Code to establish October 20, 2003 as the voting record date (the "Record Date") for purposes of determining the creditors entitled to vote on the Plan or, in the case of non-voting classes, for purposes of determining the creditors and equity interest holders entitled to receive certain non-voting materials; provided, however, that the Debtors may agree, after consultation with the Creditors' Committee, to a later date for the Record Date for one or more creditors entitled to vote, so long as such agreement is announced on the record in open court and so ordered by the Bankruptcy Court.[2] To the extent that the Record Date is extended as to any debt securities or syndicated debt, the Debtors will coordinate with the respective record holders and agents, as applicable, as to any such extension.

24. With respect to the Record Date, the Debtors propose that the record holders of claims be determined based upon (a) with respect to beneficial holders of debt securities entitled to vote on the Plan, the records of the Depository Trust Company and applicable record holder as of the Record Date; (b) with respect to bank syndicates or other similarly situated creditor groups entitled to vote on the Plan, the records of the applicable agent bank or similarly situated agent as of the Record Date to the extent of the total amount reflected in the books and records of the Debtor; (c) with respect to holders of scheduled claims entitled to vote on the Plan, the records of the Debtors' consultant, FTI Consulting, Inc. (who assisted the Debtors' in the preparation of the Schedules and maintains a database of the scheduled claims), as of the Record Date; and (d) with respect to holders of filed claims entitled to vote on the Plan

[2] It should be noted that the Record Date is for voting purposes only and shall have no effect with regard to who is entitled to receive distributions under the Plan.

and not otherwise addressed above, the records of BSI as of the Record Date. Accordingly, any notices of claim transfers received by the record holders of the debt securities, bank agents, FTI Consulting, Inc., BSI or other similarly situated registrars after the Record Date shall not be recognized for purposes of voting.

C. SOLICITATION PACKAGES AND DISTRIBUTION PROCEDURES

25. Bankruptcy Rule 3017(d) sets forth the materials that must be provided to holders of claims and equity interests for the purpose of soliciting their votes and providing adequate notice of the hearing on confirmation of a chapter 11 plan:

> Upon approval of a disclosure statement – except to the extent that the court orders otherwise with respect to one or more unimpaired classes of creditors or equity security holders – the debtor in possession, trustee, proponent of the plan, or clerk as the court orders shall mail to all creditors and equity security holders, and in a chapter 11 reorganization case shall transmit to the United States trustee,
>
> (1) the plan or a court-approved summary of the plan;
>
> (2) the disclosure statement approved by the court;
>
> (3) notice of the time within which acceptances and rejections of such plan may be filed; and
>
> (4) any other information as the court may direct, including any court opinion approving the disclosure statement or a court-approved summary of the opinion.
>
> (5) In addition, notice of the time fixed for filing objections and the hearing on confirmation shall be mailed to all creditors and equity security holders in accordance with Rule 2002(b), and a form of ballot conforming to the appropriate Official Form shall be mailed to creditors and equity security holders entitled to vote on the plan.

Fed. R. Bankr. P. 3017(d).

26. Following approval of the Disclosure Statement, the Debtors propose to distribute or cause to be distributed solicitation packages (the “Solicitation Packages”) containing copies of:

(a) the order granting the relief requested by this Motion (the “Disclosure Statement Order”);

(b) the confirmation hearing notice, substantially in the form attached hereto as Exhibit B (the “Confirmation Hearing Notice”);

(c) a ballot (each a “Ballot” and collectively, the “Ballots”), substantially in the forms attached hereto as Exhibit C and Exhibit D, together with the applicable voting instructions, substantially in the forms attached hereto as Exhibit E, and a pre-addressed postage pre-paid return envelope;[3] and

(d) a CD-ROM containing the Disclosure Statement (together with the Plan attached thereto).

27. The Debtors propose to mail the Solicitation Packages by no later than November 21, 2003 absent relief from the Court (the “Solicitation Date”) to:

(a) subject to sub-sections (c) and (d) below, record holders of scheduled claims, as of the Record Date, to the extent that such claims (i) are listed in the Debtors’ Schedules in an amount greater than zero and are not identified as contingent, unliquidated or disputed, (ii) have not been superseded by a filed claim, and (iii) entitle the holder thereof to vote on the Plan;

(b) subject to subsections (c) and (d) below, record holders of filed claims, as of the Record Date, to the extent that such claims (i) are the subject of filed proofs of claim, (ii) have not been disallowed, expunged, disqualified or suspended prior to the Record Date, (iii) are not the subject of a pending objection as of the date set forth in the Temporary Allowance Procedures Order, and (iv) entitle the holders thereof to vote on the Plan;

(c) with respect to debt securities, the record holders of claims, as of the Record Date, to the extent that (i) such record holders are reflected in the records of The Depository Trust Company or the respective trustee or Indenture Trustee for the debt securities, and

3 The Class 4 Securities Ballots contain all of the necessary voting instructions therein and, therefore, do not have separate voting instructions attached to the ballot.

(ii) the holders of such debt security claims are entitled to vote on the Plan;[4] and

(d) with respect to syndicated bank debt or other similarly situated creditor groups, the participating banks, as provided by the agent bank or other similarly situated agent as of the Record Date, or, if requested by the agent bank, to the agent bank to forward to the participating banks, to the extent that the holders of the applicable syndicated bank debt or other similarly situated debt are entitled to vote on the Plan.

28. To the extent that a creditor was not initially sent a Solicitation Package, but the creditor's claim is later temporarily allowed for voting purposes in accordance with the provisions of the Temporary Allowance Procedures Order, then the Debtors will mail, via express or overnight mail, a Solicitation Package to such creditor within five (5) business days after entry of an order temporarily allowing such creditor's claim for voting purposes provided such order is entered by the Court on or before December 19, 2003.

29. To avoid duplication and reduce expenses, the Debtors propose that any creditor entitled to vote in a given class who has filed duplicate claims (meaning the claims are in the same amount, with the same classification and asserting the same basis of claim) to be voted in such class be provided, to the extent possible, with only one Solicitation Package and one Ballot for voting a single claim in such class.

30. As set forth above, the Debtors propose to include in the Solicitation Packages a CD-ROM containing the Plan and Disclosure Statement. The Disclosure Statement, including its exhibits, is in excess of 1,000 pages. Accordingly, to reduce administrative costs associated with printing and mailing this voluminous document, the Debtors propose to serve it via CD-ROM. Moreover, the Plan and Disclosure Statement will be available via the Internet at

4 The Debtors shall provide the debt security record holders with sufficient copies of the Solicitation Packages to allow for distribution of the Solicitation Packages to the beneficial holders of the debt securities.

http://www.nysb.uscourts.gov, http://www.elaw4enron.com and http://www.enron.com/corp/por. However, if service by CD-ROM imposes a hardship for any creditor (e.g., the creditor does not own or have access to a computer or the Internet), the Debtors propose that such creditor may submit to the Debtors a signed certification of hardship (with supporting documentation, as appropriate) explaining why a paper copy should be provided to the creditor at the Debtors' cost. Upon receipt of a certification of hardship, the Debtors will evaluate whether an actual hardship appears to exist and, in the event that it does, the Debtors will provide such creditor with a paper copy of the Plan and Disclosure Statement at no cost to the creditor within five (5) business days after determining that a hardship exists. If the Debtors determine that there is insufficient information to establish the existence of a hardship, the Debtors will consult with the Creditors' Committee prior to making a final determination to deny any such request.

31. In addition, the Debtors shall distribute or cause to be distributed by the Solicitation Date, the Solicitation Package without a Ballot, voting instructions or return envelope to (a) the U.S. Trustee; (b) the attorneys for the Creditors' Committee and the Employee Committee; (c) attorneys for the Debtors' postpetition lenders; (d) the Securities and Exchange Commission; (e) the Internal Revenue Service; (f) any trustee, indenture trustee or agent bank identified on Exhibit H; and (g) all parties that the Debtors are required to serve pursuant to the Bankruptcy Court's Second Amended Case Management Order Establishing, Among Other Things, Noticing Electronic Procedures, Hearing Dates, Independent Website and Alternative Methods of Participation at Hearings, dated December 17, 2002 (the "Case Management Order").

32. The Debtors request authority to reimburse any reasonable, actual and necessary out-of-pocket expenses incurred by The Depository Trust Company, trustees,

brokerage firms or any nominee or trustee of beneficial holders of debt securities identified on Exhibit H or such other nominee of beneficial holders of debt securities identified in connection with the distribution of the Solicitation Packages.[5]

33. In the past, some notices of the applicable claims bar dates have been returned by the United States Postal Service as undeliverable. Similarly, the Debtors anticipate that some of the notices of the Temporary Allowance Motions and/or the notices of the Disclosure Statement Hearing (the "Disclosure Statement Hearing Notices") may be returned by the United States Postal Service as undeliverable. The Debtors believe that it would be costly and wasteful to distribute Solicitation Packages to the same addresses to which undeliverable mailings were previously sent. Therefore, in an effort to conserve these estates' resources, the Debtors seek the Bankruptcy Court's approval for a departure from the strict notice rule, to the extent possible, excusing the Debtors from distributing Solicitation Packages to those entities listed at such addresses unless the Debtors receive written notice of accurate addresses for such entities, or accurate forwarding addresses from the United States Postal Service, before the Solicitation Date.

D. FORMS OF BALLOTS

34. Bankruptcy Rule 3017(d) requires the Debtors to mail a form of ballot, substantially in the form of Official Form No. 14, only to "creditors and equity security holders entitled to vote on the plan." Fed. R. Bankr. P. 3017(d). Bankruptcy Rule 3018(c) provides that acceptance or rejection of a plan must be in writing, signed by the creditor or an authorized agent and conform to the appropriate Official Form. Fed. R. Bankr. P. 3018(c). The Debtors propose

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[5] The Debtors currently estimate that approximately 35,000 Solicitation Packages will be mailed in this manner and that they will expend approximately $125,000 in reimbursing the mailing costs and expenses of The Depository Trust Company, trustees, brokerage firms or any nominee or trustee of beneficial holders of debt securities.

to distribute to certain creditors, as described below, one or more Ballots, as applicable, in substantially the form of the Ballots attached hereto as Exhibit C. The forms of the Ballots are based upon Official Form No. 14, but have been modified to address the particular aspects of these chapter 11 cases and to include certain additional information that the Debtors believe to be relevant and appropriate for each class of claims that is entitled to vote to accept or reject the Plan. The appropriate Ballot forms will be distributed to holders of claims in classes 3-180, 183, 184, and 186-365 (collectively, the "Voting Classes"). All other classes are (a) unimpaired and conclusively presumed to have accepted the Plan, (b) expected to receive no distribution and are deemed to have rejected the Plan, or (c) comprised of intercompany claims asserted by proponents of the Plan and deemed to have accepted the Plan.

35. Except as discussed below as to debt securities and trust claims, the Debtors propose to use the form of Ballot attached as Exhibit C-1 for holders of general unsecured claims against Debtors other than Enron North America Corp., Enron Power Marketing, Inc., Enron Gas Liquids, Inc., Enron Global Markets LLC, Enron Natural Gas Marketing Corp., ENA Upstream Company, LLC, Enron Capital and Trade Resources International Corp., and Enron Reserve Acquisition Corp. (the "ENA Group"), Exhibit C-2 for holders of general unsecured claims against the ENA Group[6], Exhibit C-3 for holders of convenience class claims against Debtors other than the ENA Group, Exhibit C-4 for holders of convenience class claims against the ENA Group, and Exhibit C-5 for holders of guaranty claims.

36. Agent banks for syndicated bank debt typically provide the contact and other relevant information for the participating banks directly to the Debtors and request the

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6 The holders of general unsecured claims against the ENA Group have the option of making an additional cash election.

Debtors to solicit the participating banks' votes on the Plan. Accordingly, a Master Ballot will not be used for syndicated bank debt. The Debtors propose to use the form of Ballot attached as Exhibit C-6 for participating banks to vote on the Plan. However, if an agent bank decides to submit one ballot on behalf of the participating banks, the Debtors will provide the agent bank with a general unsecured ballot in the form of Exhibit C-1 and the agent may attach an exhibit indicating the names of the participating banks, the dollar amount of each creditor's vote, and whether the creditor voted to accept or reject the Plan.

37. As part of the solicitation process, the Debtors intend to solicit votes from creditor constituencies entitled to vote directly on the Plan and whose underlying claims arise from debt securities or similarly situated obligations in which multiple creditors hold a portion of the ultimate claim. The balloting process for these creditor constituencies is multiple-tiered, as the Debtors need to solicit votes through the trustee, agent bank, broker, dealer or other agents or nominees (collectively, the "Voting Nominees") for the ultimate beneficial holders of the claims (collectively, the "Beneficial Holders"). The Voting Nominees' role varies depending upon the terms and provisions of governing documents and applicable law. As a general rule, the Voting Nominees either (a) submit the Beneficial Holders' voting information to the Solicitation Agent (either directly through a master ballot or indirectly through pre-validation of the Ballots) or (b) cast a single vote on behalf of their constituency in accordance with the exercise of their fiduciary duties and/or pursuant to the terms and provisions of the governing documents and applicable law.

38. Following receipt of the Solicitation Packages, the Debtors propose that the Voting Nominees for debt securities have two options with respect to voting the ballot and master ballot attached as Exhibit D-1 and Exhibit D-2: (a) the Voting Nominee can forward the

Solicitation Package to each Beneficial Holder entitled to vote on the Plan within five (5) business days of the receipt by such Voting Nominee of the Solicitation Package and include a return envelope provided by, and addressed to, the Voting Nominee to enable the Beneficial Holder to return the completed Ballot to the Voting Nominee, with the Voting Nominee then tabulating the votes and submitting a master ballot to the Solicitation Agent or (b) if applicable under the governing documents, the Voting Nominee can "prevalidate" Ballots and forward the Solicitation Package to each Beneficial Holder entitled to vote on the Plan to the Beneficial Holder within five (5) business days of the receipt by such Voting Nominee of the Solicitation Package and include a return envelope postage pre-paid provided by, and addressed to, the Solicitation Agent. To "prevalidate" a Ballot, the Voting Nominee should execute the Ballot and indicate on the Ballot the name of the registered holder, the amount of securities held by the Voting Nominee for the Beneficial Holder and the account number(s) for the account(s) in which such securities are held by the Voting Nominee and the Beneficial Holder shall return the completed prevalidated Ballot to the Debtors' Solicitation Agent by the Voting Deadline.

39. The Debtors propose to use the form of Ballot attached as Exhibit D-1 to enable Voting Nominees to solicit the votes of Beneficial Holders in those instances where the role of the Voting Nominee is to submit the Beneficial Holders' voting information to the Solicitation Agent (either directly through a master ballot or indirectly through pre-validation of the ballots). To the extent that the Voting Nominee does not pre-validate the Ballot, the Debtors further propose to use the form of Ballot attached as Exhibit D-2 as a master ballot to enable the Voting Nominees to submit the Beneficial Holders' votes on the Plan to the Solicitation Agent. The Debtors currently anticipate that these Ballots will be used primarily (if not exclusively) for

the purpose of soliciting votes from the Beneficial Holders of Enron Corp. debt securities or other similarly situated obligations.

40. Additionally, the Debtors propose to use the form of Ballot attached as Exhibit D-3 to enable the applicable Voting Nominees to solicit the votes of Beneficial Holders of debt securities where the role of these Voting Nominees is to cast a single vote on behalf of their constituency in accordance with the exercise of their fiduciary duties and/or pursuant to the terms and provisions of the governing documents and applicable law. To the extent that these Voting Nominees request, in writing, that the Solicitation Agent assist them in tabulating the Ballots of these Beneficial Holders, the Ballot attached as Exhibit D-3 will be prevalidated for direct return by the Beneficial Holder to the Solicitation Agent so as to be received by no later than Noon (New York City Time) on January 5, 2004. The Solicitation Agent will then tabulate these Ballots as an accommodation to the Voting Nominees. The Debtors propose that the Solicitation Agent tabulate the prevalidated Ballots and submit a voting certification to the Voting Nominees so as to be received no later than 6:00 p.m. (New York City Time) on January 7, 2004. The Debtors further propose to use the form of Ballot attached as Exhibit D-4 as a Ballot to enable the Voting Nominees to cast a single vote on behalf of their constituency for or against the Plan, such Ballot must be submitted on or before the Voting Deadline (as defined below).

41. In order to facilitate the Voting Nominees' solicitation of votes of the Beneficial Holders and submission of the appropriate master ballot(s) and/or prevalidated ballots to the Solicitation Agent, unless otherwise instructed, in writing, by a Voting Nominee, the Debtors propose to provide each Voting Nominee with a reasonably sufficient number of

Solicitation Packages (including Ballots) to distribute to the Beneficial Holders of the claims for whom such Voting Nominee acts.

42. The procedures described herein adequately (a) recognize the complex nature of the Debtors' prepetition debt structure and the complexities of the securities industry, (b) enable the Debtors to transmit the Solicitation Packages to the Beneficial Holders, and (c) afford the Beneficial Holders a fair and reasonable opportunity to vote.

43. The Debtors have acted in good faith in identifying all claims related to debt securities and other claims that require multiple-tier voting procedures. If the Debtors discover any additional claims related to debt securities or similarly structured claims that require multiple-tier voting procedures, the Debtors will use the solicitation and tabulation procedures applicable to such claims in accordance with the procedures discussed herein.

E. VOTING DEADLINE

44. Bankruptcy Rule 3017(c) provides that, on or before approval of a disclosure statement, the court shall fix a time within which the holders of claims or equity security interests may accept or reject a plan. The Debtors anticipate mailing the Solicitation Packages on or before the Solicitation Date. Based on such schedule, the Debtors propose that, in order to be counted as a vote to accept or reject the Plan, each Ballot must be properly executed, completed, and delivered to the Solicitation Agent so as to be received by the Solicitation Agent on or before January 9, 2004 at 4:00 p.m. (New York City Time) (the "Voting Deadline"). The Debtors submit that approximately 50 days is a sufficient period within which creditors can make an informed decision to accept or reject the Plan.

F. PROCEDURES FOR TABULATION OF THE VOTE

45. As noted above, the Debtors have filed the Temporary Allowance Motion (as supplemented) seeking entry of an order establishing certain voting procedures. To augment those procedures and facilitate tabulation of the votes on the Plan, the Debtors propose the following tabulation procedures:

(a) a vote shall be disregarded if the Bankruptcy Court determines, after notice and a hearing, that a vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

(b) any Ballot that is returned to the Solicitation Agent, but which is unsigned, or has a non-original signature, shall not be counted;

(c) all votes to accept or reject the Plan must be cast by using the appropriate Ballot and in accordance with the voting instructions attached hereto as Exhibit E and/or as set forth on the Ballot (as may be applicable) and votes that are cast in any other manner shall not be counted;

(d) a holder of claims in more than one (1) class must use separate Ballots for each class of claims;

(e) a holder of claims shall be deemed to have voted the full amount of its claim in each class and shall not be entitled to split its vote within a particular class;

(f) any Ballot (except a Master Ballot) that partially accepts and partially rejects the Plan shall not be counted;

(g) if a holder of claims casts more than one (1) Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Solicitation Agent shall be counted;

(h) if a holder of claims casts Ballots received by the Solicitation Agent on the same day, but which are voted inconsistently, such Ballots shall not be counted;

(i) any executed Ballot received by the Solicitation Agent that does not indicate either an acceptance or rejection of the Plan shall not be counted;

(j) any executed Ballot received by the Solicitation Agent that indicates both acceptance and rejection of the Plan shall not be counted;

(k) any entity entitled to vote to accept or reject the Plan may change its vote before the Voting Deadline by casting a superseding Ballot so that it is received on or before such deadline; and

(l) the Solicitation Agent shall not accept a vote by facsimile, telecopy transmission or electronic mail.

46. With respect to Master Ballots submitted by Voting Nominees and/or pre-validated ballots submitted by or through the Voting Nominees, the Debtors request that the Court direct as follows:

(a) all Voting Nominees to which Beneficial Holders return their Ballots shall summarize on the Master Ballot all Ballots cast by the Beneficial Holders and return the Master Ballot to the Solicitation Agent; provided, however, that each Voting Nominee shall be required to retain the Ballots cast by the respective Beneficial Holders for inspection for a period of at least one (1) year following the Voting Deadline;

(b) votes cast by the Beneficial Holders through a Voting Nominee by means of a Master Ballot or prevalidated Ballot shall be applied against the positions held by such Voting Nominee as evidenced by a list of record holders provided by The Depository Trust Company and compiled as of the Record Date; provided, however, that votes submitted by a Voting Nominee on a Master Ballot or prevalidated Ballot shall not be counted in excess of the position maintained by such Voting Nominee as of the Record Date;

(c) to the extent that there are over-votes submitted by a Voting Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, the Solicitation Agent will attempt to reconcile discrepancies with the Voting Nominee;

(d) to the extent that over-votes on a Master Ballot or prevalidated Ballot are not reconciled prior to the preparation of the vote certification, the Solicitation Agent will apply the votes to accept and to reject the Plan in the same proportion as the votes to accept or reject the Plan submitted on the Master Ballot or prevalidated Ballot that contained the over-vote, but only to the extent of the position maintained by such Voting Nominee as of the Record Date;

(e) multiple Master Ballots may be completed by a single Voting Nominee and delivered to the Solicitation Agent and such votes shall be counted, except to the extent that such votes are inconsistent with or are duplicative of other Master Ballots, in which case the latest dated Master Ballot received before the Voting Deadline shall supersede and revoke any prior Master Ballot; and

(f) each Beneficial Holder shall be deemed to have voted the full amount of its claim.

47. Additionally, with respect to the solicitation of votes of Beneficial Holders in those instances where the role of the Voting Nominee is to cast a single vote on behalf of their constituency, to the extent that the Voting Nominee requests, in writing, that the Solicitation Agent tabulate these Ballots and provide the Voting Nominees with a certified tabulation indicating how each Beneficial Holder voted, neither the Debtors nor the Solicitation Agent will review nor be responsible for reviewing any underlying documents, such as trusts or indentures or make any decisions as to how the Voting Nominees should vote their claims. The Voting Nominees will then review the certification and the underlying documents to determine how (if at all) the Voting Nominee should vote on the Plan.

48. Additionally, the indenture trustees for debt securities and agent banks for syndicated bank debt are listed on Exhibit H. Unless otherwise provided in accordance with the procedures set forth in the Temporary Allowance Procedures Order or further order by the Bankruptcy Court, for voting purposes only the creditors who hold the claims listed on Exhibit H will be entitled to vote the dollar amount of their claims; provided, however, that the aggregate dollar amount of such creditors' claims may not exceed the dollar amounts listed on Exhibit H. The dollar amounts listed on Exhibit H are based upon the Debtors' books and records and include the principal and interest (if any) amount owing as of the Petition Date. If a creditor holding a claim listed on Exhibit H only votes the principal amount of its claim, and such creditor is also entitled to vote prepetition interest on such claim, the Debtors will add pro rata

interest to the principal amount of the claim voted by such creditor for purposes of tabulating the vote.

49. The foregoing tabulation procedures are subject to change and may be amended at any time on or before the hearing to approve the Disclosure Statement Hearing. These tabulation procedures, including any amendment thereto, will be submitted for Court approval at the Disclosure Statement Hearing and will be incorporated into the voting instructions to be included with each Ballot. The Debtors believe that the proposed tabulation procedures provide for a fair and equitable voting process.

G. NOTICE OF NON-VOTING STATUS

50. Bankruptcy Rule 3017(d) provides, in relevant part, as follows:

> If the court orders that the disclosure statement and the plan or a summary of the plan shall not be mailed to any unimpaired class, notice that the class is designated in the plan as unimpaired and notice of the name and address of the person from whom the plan or summary of the plan and disclosure statement may be obtained upon request and at the plan proponent's expense, shall be mailed to members of the unimpaired class together with the notice of the time fixed for filing objections to and the hearing on confirmation.

Fed. R. Bankr. P. 3017(d).

51. The claims in classes 1 and 2 are unimpaired and, thus, are conclusively presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code. The Debtors propose to send to holders of unimpaired claims in Classes 1 and 2, as well as any party to an executory contract that has not been assumed or rejected as of the Record Date, a notice of non-voting status, substantially in the form attached hereto as Exhibit F (the "Notice of Non-Voting Status – Unimpaired Classes"), which identifies the classes designated as unimpaired and sets forth that a copy of the Plan and Disclosure Statement may be obtained via the Internet at http://www.nysb.uscourts.gov, http://www.elaw4enron.com, http://www.enron.com/corp/por, or

CD-ROM upon written request to the Debtors, as therein provided. The Debtors submit that such notice satisfies the requirements of Bankruptcy Rule 3017(d), and accordingly, request that the Court direct that CD-ROMs containing the Plan and Disclosure Statement need not be mailed to any holder of an unimpaired claim unless such party makes a specific request in writing for the same.

52. Similarly, in an effort to conserve the resources of these estates, the Debtors propose to send to holders of claims expected to receive no distribution under the Plan a notice of non-voting status ("Notice of Non-Voting Status – Impaired Classes," and together with the Notice of Non-Voting Status – Unimpaired Classes, the "Notices of Non-Voting Status"), substantially in the form attached hereto as Exhibit G, which identifies the classes designated as impaired and not entitled to vote and sets forth that a copy of the Plan and Disclosure Statement may be obtained via the Internet at http://www.nysb.uscourts.gov, http://www.elaw4enron.com, http://www.enron.com/corp/por, or CD-ROM upon request to the Debtors, as therein provided. Classes 181, 182, and 366 through 375 will not receive any distributions under the Plan and, thus, are conclusively presumed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code. Any identical claims in these non-voting classes that are filed multiple times by the same creditor against the same Debtor will receive one Notice of Non-Voting Status on account of such claims. The Debtors submit that such notice satisfies the requirements of the Bankruptcy Code and Bankruptcy Rules. Accordingly, the Debtors request that the Bankruptcy Court determine that they are not required to distribute CD-ROMs containing the Plan and Disclosure Statement to any holder of an impaired claim that is deemed to reject the Plan, unless otherwise requested in writing.

53. As with the general distribution scheme outlined above, if obtaining a copy of the Plan and Disclosure Statement via CD-ROM or the Internet imposes a hardship for any unimpaired or deemed rejected creditor (e.g., the creditor does not own or have access to a computer or the Internet), such creditor may submit to the Debtors a signed certification of hardship (with supporting documentation, as appropriate) explaining the reasons why a paper copy should be provided to the creditor at the Debtors' cost. Upon receipt of a certification of hardship, the Debtors will evaluate whether an actual hardship appears to exist and, in the event that it does, the Debtors will provide such unimpaired or deemed rejected creditor with a paper copy of the Plan and Disclosure Statement at no cost to the creditor. If the Debtors determine that there is insufficient information to establish the existence of a hardship, the Debtors will consult with the Creditors' Committee prior to making a final determination to deny any such request.

54. With respect to service of the Notice of Non-Voting Status – Impaired Classes on the holders of the Debtors' publicly-traded stock as reflected in the records maintained by the Debtors' transfer agent(s) and the trustee of any debt securities in non-voting classes (the "Non-Voting Securities"), the Debtors propose to send the Notices of Non-Voting Status as follows:

(a) the Debtors shall provide any registered holders of Non-Voting Securities with a copy of the Notice of Non-Voting Status – Impaired Classes by first-class mail;

(b) the Debtors shall provide the nominees with sufficient copies of the Notice of Non-Voting Status – Impaired Classes to forward to the Beneficial Holders of the Non-Voting Securities; and

(c) The nominees shall then forward the Notice of Non-Voting Status – Impaired Classes or copies thereof to the Beneficial Holders of the Non-Voting Securities within five (5) business days of the receipt by such Non-Voting Nominees of the Notice of Non-Voting Status – Impaired Classes.

55. To the extent that the Non-Voting Nominees incur out-of-pocket expenses in connection with distribution of the Notice of Non-Voting Status – Impaired Classes, the Debtors request authority to reimburse such entities for their reasonable, actual, and necessary out-of-pocket expenses incurred in this regard.[7]

H. CONFIRMATION HEARING

56. Bankruptcy Rule 3017(c) provides:

> On or before approval of the disclosure statement, the court shall fix a time within which the holders of claims and interests may accept or reject the plan and may fix a date for the hearing on confirmation.

Fed. R. Bankr. P. 3017(c).

57. In accordance with Bankruptcy Rule 3017(c) and in view of the Debtors' proposed solicitation schedule outlined herein, the Debtors request that a hearing on confirmation of the Plan (the "Confirmation Hearing") be scheduled, subject to the Bankruptcy Court's calendar, during the week of January 26, 2004. The Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than adjournments announced in open court at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing and that the Plan may be modified pursuant to section 1127 of the Bankruptcy Code and its terms, with Creditors' Committee consent, prior to, during or as a result of the Confirmation Hearing, in each case without further notice to parties-in-interest. The proposed timing for the Confirmation Hearing is in compliance with the Bankruptcy Code, the

7 The Debtors currently estimate that approximately 400,000 Notice of Non-Voting Status – Impaired Classes will be mailed in this manner and that they will expend approximately $312,000 in reimbursing the mailing costs and expenses of The Depository Trust Company, trustees, brokerage firms or any nominee or trustee of beneficial holders of debt securities.

Bankruptcy Rules, and the Local Rules and will enable the Debtors to pursue confirmation of the Plan in a timely fashion.

I. NOTICE OF THE CONFIRMATION HEARING

58. Bankruptcy Rule 2002(b) and (d) require not less than twenty-five (25) days' notice to all creditors and equity security holders of the time fixed for filing objections and the hearing to consider confirmation of a chapter 11 plan. In accordance with Bankruptcy Rules 2002 and 3017(d), the Debtors propose to provide to all creditors and equity security holders as of the Record Date a copy of the Confirmation Hearing Notice, setting forth (a) the date of approval of the Disclosure Statement; (b) the Record Date; (c) the Voting Deadline; (d) the time fixed for filing objections to confirmation of the Plan; and (e) the time, date, and place for the Confirmation Hearing. Such notice will be sent contemporaneously with the Solicitation Packages.

59. Bankruptcy Rule 2002(l) permits the Bankruptcy Court to "order notice by publication if it finds that notice by mail is impracticable or that it is desirable to supplement the notice." Fed. R. Bankr. P. 2002(l). In addition to mailing the Confirmation Hearing Notice, the Debtors propose to publish the Confirmation Hearing Notice not less than twenty (20) days before the deadline to file objections to confirmation of the Plan, in each of *The Wall Street Journal* (National Edition), *The New York Times* (National Edition), *The Houston Chronicle, Financial Times, Los Angeles Times, The Oregonian, Omaha World-Herald, Seattle Times Post-Intelligencer, The Luxembourg Wort,* and *El Nuevo Dia*. Additionally, the Debtors will publish the Confirmation Hearing Notice electronically on the website authorized by the Case Management Order, http://www.elaw4enron.com as well as http://www.enron.com/corp/por. The Debtors believe that publication of the Confirmation Hearing Notice will provide sufficient

notice of the approval of the Disclosure Statement, the Record Date, the Voting Deadline, the time fixed for filing objections to confirmation of the Plan, and the time, date, and place of the Confirmation Hearing to persons who do not otherwise receive notice by mail as provided for in the Disclosure Statement Order.

60. The Debtors submit that the foregoing procedures will provide adequate notice of the Confirmation Hearing and, accordingly, request that the Bankruptcy Court approve such notice as adequate.

J. OBJECTIONS

61. Pursuant to Bankruptcy Rule 3020(b)(1), objections to confirmation of a plan must be filed and served "within a time fixed by the court." Fed. R. Bank. P. 3020(b)(1). The Confirmation Hearing Notice provides, and the Debtors request that the Bankruptcy Court direct that, objections to confirmation of the Plan or proposed modifications to the Plan, if any, must: (a) be in writing; (b) be in the English language; (c) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (d) state with particularity the basis and nature of any objection to the Plan; and (e) be filed, together with proof of service, with the Bankruptcy Court and served so that they are received by the parties identified in the Confirmation Hearing Notice, no later than January 9, 2004, at 4:00 p.m. (New York City Time). The proposed timing for filing and service of objections and proposed modifications, if any, will afford the Bankruptcy Court, the Debtors, and other parties in interest sufficient time to consider the objections and proposed modifications prior to the Confirmation Hearing. Objections not timely filed and served in accordance with the provisions of this Motion may be overruled on that basis alone.

MEMORANDUM OF LAW

62. This Motion does not raise any novel issues of law and, accordingly, the Debtors respectfully request that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted in support of this Motion.

NOTICE

63. As of the filing of this Motion, no trustee has been appointed in these chapter 11 cases. Notice of this Motion has been given in accordance with the Scheduling Order Approving Form And Manner Of Notice For And Scheduling Hearing On The Debtors' Motion For Order Pursuant To Sections 105, 502, 1125, 1126, And 1128 Of The Bankruptcy Code And Bankruptcy Rules 2002, 3003, 3017, 3018 And 3020 (I) Approving The Amended Disclosure Statement; (I) Setting A Record Date For Voting Purposes; (III) Approving Solicitation Packages And Procedures For Distribution Thereof; (IV) Approving Forms Of Ballots And Establishing Procedures For Tabulation Of The Vote On The Amended Joint Plan Of Affiliated Debtors; And (V) Scheduling A Hearing And Establishing Notice And Objection Procedures In Respect Of Confirmation Of The Amended Joint Plan Of Affiliated Debtors. The Debtors submit that no other notice need be given.

64. No previous motion for the relief sought herein has been made to this or any other Court.

CONCLUSION

65. For the foregoing reasons, the Debtors believe that granting the relief requested herein is appropriate and in the best interests of the Debtors, their estates and their creditors.

WHEREFORE the Debtors respectfully request that the Bankruptcy Court enter an order granting the relief requested herein and such other and further relief as may be just.

Dated: New York, New York
September 18, 2003

By: /s/ Brian S. Rosen

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EXHIBIT A

PROPOSED DISCLOSURE STATEMENT

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION UNDER BANKRUPTCY CODE SECTION 1125(b) FOR USE IN THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS DISCLOSURE STATEMENT ARE NOT INTENDED TO BE, AND SHOULD NOT IN ANY WAY BE CONSTRUED AS, A SOLICITATION OF VOTES ON THE PLAN, NOR SHOULD THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT BE RELIED ON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

THE DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT AT OR BEFORE THE HEARING TO CONSIDER THIS DISCLOSURE STATEMENT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	x	
	:	
In re:	:	**Chapter 11**
	:	
ENRON CORP., *et al.*,	:	**Case No. 01-16034 (AJG)**
	:	
	:	**Jointly Administered**
Debtors.	:	
	x	

DISCLOSURE STATEMENT FOR
AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO
CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

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DEBTORS' DISCLOSURE STATEMENT FOR
AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11
OF THE UNITED STATES BANKRUPTCY CODE

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION UNDER BANKRUPTCY CODE SECTION 1125(b) FOR USE IN THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS DISCLOSURE STATEMENT ARE NOT INTENDED TO BE, AND SHOULD NOT IN ANY WAY BE CONSTRUED AS, A SOLICITATION OF VOTES ON THE PLAN, NOR SHOULD THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT BE RELIED ON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

THE DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT AT OR BEFORE THE HEARING TO CONSIDER THIS DISCLOSURE STATEMENT.

Capitalized terms used throughout this Disclosure Statement are defined in ***Appendix A: "Material Defined Terms for Enron Disclosure Statement"*** **attached hereto.**

On December 2, 2001 and continuing thereafter, Enron Corp. ("ENE") and certain of its direct and indirect subsidiaries and affiliates filed voluntary petitions seeking protection under chapter 11 of the Bankruptcy Code, thereby commencing one of the largest and most complex chapter 11 cases in the United States. These Chapter 11 Cases involve most of the major institutional investors in the U.S., as well as many from around the world. Similarly, these cases involve thousands of trade creditors, energy traders, former employees, and other creditor and equity constituencies located domestically and world-wide. Refer to Appendix B: "List of Debtors, Tax ID Numbers, Case Numbers, and Petition Dates" for a complete list of the Debtors and their respective Petition Dates.

The Debtors submit this Disclosure Statement pursuant to Bankruptcy Code section 1125 to holders of Claims against and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances of the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code and (ii) the hearing to consider confirmation of the Plan scheduled for [_________], commencing at [______].

Attached as appendices and exhibits to this Disclosure Statement are copies of the following documents: (a) the Plan, Exhibit 1: "Chapter 11 Plan", (b) the Disclosure Statement Order, which, among other things, approves this Disclosure Statement and establishes certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, Exhibit 2: "Disclosure Statement Order", (c) the Temporary Allowance Procedures Order, which sets forth the procedures for temporary allowance of Claims for voting purposes, Exhibit

3: "Temporary Allowance Procedures Order" and (d) the Liquidation Analysis, which sets forth estimated recoveries in a chapter 7 liquidation as compared to estimated recoveries under the Plan, Appendix L: "Liquidation Analysis". In addition, for those holders of Claims entitled to vote under the Plan, a Ballot for the acceptance or rejection of the Plan is separately enclosed.

I. Overview of Chapter 11 Plan

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Introduction

Chapter 11 is the chapter of the Bankruptcy Code primarily used for business reorganization. Asset sales, stock sales, and other liquidation efforts, however, can also be conducted during a chapter 11 case or pursuant to a chapter 11 plan. Under chapter 11, a company endeavors to restructure its finances such that it maximizes recovery to its creditors. Formulation of a chapter 11 plan is the primary purpose of a chapter 11 case. A chapter 11 plan sets forth and governs the treatment and rights to be afforded to creditors and stockholders with respect to their claims against and equity interests in the debtor. According to section 1125 of the Bankruptcy Code, acceptances of a chapter 11 plan may be solicited by the debtor only after a written disclosure statement has been provided to each creditor or stockholder who is entitled to vote on the plan. This Disclosure Statement is presented to holders of Claims against and Equity Interests in the Debtors to satisfy the disclosure requirements contained in section 1125 of the Bankruptcy Code.

B. Chapter 11 Plan

For a more detailed description of the Plan, refer to Section VI., "Summary of Debtors' Chapter 11 Plan". In addition, the Plan is attached hereto as Exhibit 1: "Chapter 11 Plan".

1. Plan Negotiations

a. Creditors' Committee. Given the diverse creditor body and the myriad of complex issues posed by these Chapter 11 Cases, the Debtors and the Creditors' Committee have spent the past year conducting extensive diligence and engaging in negotiations regarding the terms of a chapter 11 plan and related matters. These discussions focused on a variety of issues, including, but not limited to, (a) maximizing value to Creditors, (b) resolving issues regarding substantive consolidation and other inter-estate and inter-creditor disputes, and (c) facilitating an orderly and efficient distribution of value to Creditors. The Plan represents the culmination of these efforts and reflects agreements and compromises reached, following discussions with the ENA Examiner, among the Debtors and the Creditors' Committee with respect thereto. The Creditors' Committee fully supports the Plan, including the compromises and settlements embodied therein.

b. ENA Examiner. The ENA Examiner was appointed, among other things, to serve as a plan facilitator for ENA and its subsidiaries. The ENA Examiner has performed this function by engaging in dialogue with the Debtors, representatives of the Creditors'

Committee, and certain parties in interest that assert claims against ENA and its subsidiaries. The ENA Examiner has also performed his role as plan facilitator by filing reports regarding various plan-related issues such as whether ENA's exclusive right to propose a plan for ENA should be preserved and whether a joint plan involving ENA and the remaining Debtors is appropriate and beneficial from the perspective of ENA's creditors. Refer to Section IV.A.4.a., "ENA Examiner" for further information. In connection with the role of the ENA Examiner as plan facilitator, in February 2003, the Debtors and representatives of the Creditors' Committee made a detailed presentation to the ENA Examiner and certain Creditors of ENA and its subsidiaries. This presentation explained the history of the due diligence and negotiations leading to the global compromise embodied in the Plan and the estimated recoveries thereunder. Following this initial presentation, the ENA Examiner, representatives of the Creditors' Committee, and the Debtors met repeatedly and continued the exchange of information and discussions regarding the terms of the Plan. The results of the parties' diligent and exhaustive efforts in this regard are reflected in the compromises and settlements incorporated into the Plan. After consultation with certain Creditors of ENA and its subsidiaries, the ENA Examiner has informed the Debtors and the Creditors' Committee that he believes that the compromises and settlements incorporated into the Plan are reasonable, and that the economic treatment to Creditors of ENA and its subsidiaries is fair and worthy of being accepted by such Creditors.

2. Global Compromise Embodied in the Plan

The Plan incorporates various inter-Debtor, Debtor-Creditor and inter-Creditor settlements and compromises designed to achieve a global resolution of these Chapter 11 Cases. The Plan is thus premised upon settlement, rather than litigation, of these disputes. The settlements and compromises embodied in the Plan represent, in effect, a linked series of concessions by Creditors of every individual Debtor in favor of each other. The agreements are interdependent. The following description of the global compromise is qualified in its entirety by the full text of the Plan.

To reach the global compromise, the Debtors and the Creditors' Committee considered, among other things, the most significant inter-estate disputes (including, without limitation, certain issues between ENE and ENA), the likelihood of substantive consolidation, and the cost and delay that would be occasioned by full-blown estate-wide litigation of such issues. In proposing the Plan, the Debtors intend to offer a non-litigation solution to Creditors. This solution, which the Debtors, the Creditors' Committee, and the ENA Examiner believe fairly reflects the risks of litigation, will reduce the duration of these Chapter 11 Cases and the expenses attendant to protracted disputes. While a litigated outcome of each of these issues might differ from the result produced by the Plan itself, the Debtors and the Creditors' Committee believe that, if the issues resolved by the Plan were litigated to conclusion, then these Chapter 11 Cases would be prolonged for, at a minimum, an additional year, and probably much longer. In this regard, it is important to bear in mind that the professional fees incurred in these Chapter 11 Cases, even without such estate-wide litigation, have been approximately $330 million per year.

There are several components of the global compromise, including, but not limited to, (i) settlement of the likelihood of substantive consolidation of the Debtors' estates, (ii) the use of a common currency (Plan Currency) to make distributions under the Plan, (iii) the treatment of Intercompany Claims and resolution of other inter-estate issues, (iv) the resolution of certain asset ownership disputes between ENE and ENA, (v) the resolution of inter-estate issues regarding rights to certain claims and causes of action, (vi) the treatment of Enron Guaranty Claims and Wind Guaranty Claims, and (vii) a reduction in the administrative costs post-confirmation. Each of these components is discussed below.

a. Likelihood of Substantive Consolidation. Substantive consolidation is a judicially created equitable remedy whereby the assets and liabilities of two or more entities are pooled, and the pooled assets are aggregated and used to satisfy the claims of creditors of all the consolidated entities. Typically, substantive consolidation eliminates intercompany claims and any issues concerning ownership of assets among the consolidated entities, as well as guaranty claims against any consolidated entity that guaranteed the obligations of another consolidated entity. As explained in *Union Savings Bank* v. *Augie/Restivo Baking Co. (In re Augie/Restivo Baking Co.)*, 860 F.2d 515, 518 (2d Cir. 1988), the "sole purpose of substantive consolidation is to ensure the equitable treatment of all creditors." The federal court of appeals with jurisdiction over these Chapter 11 Cases has articulated a two-fold, disjunctive test for substantive consolidation: (i) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit such that consolidation is fair from the vantage point of creditor expectations, taking into account any prejudice to particular creditors resulting from the consolidation, or (ii) whether the assets and liabilities of the entities in question are sufficiently entangled such that the process of untangling them would be so time-consuming and costly that it is not in the interest of the creditors to complete that process. Whether substantive consolidation is appropriate in a given case requires an intensive analysis of the facts pertaining to each entity proposed to be consolidated, including, but not limited to, the relationships and transactions among the entities in question and each entity's disclosures to and transactions with creditors.

Following the Initial Petition Date, pursuant to a confidentiality and non-waiver of privilege agreement between the Debtors and the Creditors' Committee, the Debtors and the Creditors' Committee undertook a joint diligence process to ascertain whether substantive consolidation is an appropriate remedy for some or all of the Debtors in these Chapter 11 Cases. As part of this process, the Debtors and the Creditors' Committee each reviewed and considered the Debtors' books and records, public filings, key contracts, and other documents, as well as the facts and legal theories underlying various related inter-estate issues. In addition, they conducted numerous joint interviews of current and former employees, analyzed the relevant legal standards, and evaluated the relationships between certain of the Debtors and their largest creditors. In response to Creditor requests, and as ordered by the Bankruptcy Court, in September 2002, the Creditors' Committee established an Internet database to provide Creditors who are not members of the Creditors' Committee with restricted access to copies of many of the documents reviewed as part of the Creditors' Committee's substantive consolidation investigation.

Through this process, the Debtors and the Creditors' Committee have found that, for each of the Debtors, there are relevant facts weighing both for and against substantive consolidation. Among the many facts considered relevant to the substantive consolidation analysis, the Debtors and the Creditors' Committee noted certain universal or nearly universal facts regarding the Debtors, including, but not limited to, the following:

(i) each of the Debtors was able to prepare and file separate schedules listing their prepetition assets and liabilities;

(ii) separate books and records were maintained for each of the Debtors prepetition;

(iii) prepetition, a consolidated federal tax return was filed including most of the Debtors but, to the extent applicable, individual state tax returns were prepared and filed for each of the Debtors prepetition;

(iv) to the extent applicable, prepetition, each of the Debtors observed corporate formalities including conducting periodic board meetings and annual shareholder meetings; however, other than the meetings held for ENE, the vast majority of these meetings were by written consent, rather than through in-person meetings involving debate and discussion;

(v) for the majority of the Debtors, some overlap existed as to the officers and directors of each Debtor and the officers and directors of other Debtors;

(vi) the majority of the Debtors directly or indirectly participated in the centralized cash management system maintained by ENE prepetition;

(vii) the majority of the Debtors received direct or indirect prepetition credit support from ENE through intercompany loans (whether directly to the Debtor or indirectly to the Debtor through the Debtor's parent(s)), third party guaranties, indemnities, total return swaps or other means of support;

(viii) with very few exceptions, prior to the Initial Petition Date, none of the Debtors disseminated financial information to creditors or potential creditors or otherwise made such information available other than the consolidated financial statements for ENE and its subsidiaries;

(ix) of the Debtors, ENE was the only entity with a credit rating by the major domestic rating agencies;

(x) although some costs were allocated to subsidiaries, prepetition, ENE absorbed substantial overhead costs for most (if not all) of the Debtors;

(xi) the majority of the Debtors utilized ENE's centralized services for risk management, insurance procurement, legal, benefits and similar services, and

(xii) although the internal transaction approval process for all of the Debtors did not expressly require approval of the board of the entity engaged in the transaction, it did require, depending on the dollar amount and type of transaction, approval by the head of the applicable business unit (who might not be an officer or director of that entity), the head of the applicable business segment (who might not be an officer or director of that entity), the Office of the Chair of ENE, and/or the Board of Directors of ENE.

The foregoing is simply a sampling of the facts weighing both for and against substantive consolidation. While there are additional relevant facts applicable to most (if not all) of the Debtors, there are also extensive entity-specific facts. Given the extent and difficulty of the relevant factual and legal issues, in an effort to resolve the question of the appropriateness of substantive consolidation of one or more of the Debtors without protracted and expensive litigation, the Debtors and the Creditors' Committee forged a compromise and settlement based on an analysis of the likelihood that a court would order substantive consolidation at the conclusion of such a litigation.

Specifically, under the global compromise embodied in the Plan, except with respect to the Portland Debtors, distributions of Plan Currency will be made on account of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims based on an agreed percentage intended to approximate the relative likelihood of full-blown litigation resulting in either: (i) substantive consolidation of all of the Debtors or (ii) substantive consolidation of none of the Debtors. Accordingly, for example, subject to certain adjustments described below, a holder of an Allowed General Unsecured Claim (except a holder of an Allowed General Unsecured Claim against the Portland Debtors) will receive the sum of 30% of the distribution such Creditor would receive if the Debtors' estates were substantively consolidated and 70% of the distribution such Creditor would receive if the Debtors were not substantively consolidated. As noted, the 30/70 weighted average is not a precise mathematical quantification of the likelihood of substantive consolidation of each Debtor into each of the other Debtors, but, instead, a negotiated approximation of the likely outcome if these issues were litigated to judgment as to all Debtors.

b. Plan Currency. As a general rule, absent substantive consolidation, the creditors of a given debtor may recover only from the assets of such debtor. In the event of substantive consolidation, the creditors of each of the consolidated entities recover from the pooled assets of all of the consolidated entities.

In light of the global compromise and the settlement of the issue of substantive consolidation of the Debtors, except with respect to the Portland Debtors, the actual consideration to be distributed on account of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims will be derived from a common pool consisting of a mixture of Creditor Cash, PGE Common Stock, CrossCountry Common Stock, and Prisma Common Stock (collectively, "Plan Currency").[1] Generally, for purposes of making distributions to Creditors of each of the Debtors (except the Portland Debtors), a portion of Plan Currency is allocated to each Debtor following application of the 30/70 weighted average reflecting the likelihood of substantive consolidation. Each Debtor's allocated portion of Plan Currency is referred to in the Plan as the Distributive Assets attributable to such Debtor. With respect to Creditors of ENA and its subsidiaries, as part of the compromise reached with the ENA Examiner, an additional $125 million of Creditor Cash

[1] It should be noted that Plan Currency does not include interests in the Litigation Trust and Special Litigation Trust. As discussed below, also as part of the global compromise, these interests are allocated pro rata among the holders of Allowed General Unsecured Claims against all Debtors (excluding the Portland Debtors).

will be made available under the Plan to such Creditors, and they may elect to accept this additional Creditor Cash in lieu of an equal value of Plan Securities.[2]

c. Intercompany Claims. Typically, substantive consolidation eliminates all intercompany claims among the consolidated entities. In contrast, without substantive consolidation, such intercompany claims may either be treated *pari passu* with similarly situated third-party claims, subordinated to third-party claims or re-characterized as equity contributions. Moreover, absent substantive consolidation, each debtor may seek to disallow a given intercompany claim or to affirmatively recover on various claims or causes of action against another debtor.

Prior to the Initial Petition Date, the Debtors maintained a complex corporate structure consisting of thousands of entities, which, in the aggregate, engaged in millions of inter-company transactions in the years leading up to the bankruptcy filings. From the inception of these Chapter 11 Cases, the Debtors and the Creditors' Committee have been investigating the most significant of these transactions to determine whether any challenges could be brought by or on behalf of any of the Debtors' estates against any other Debtor's estate, and whether the relative impact to Creditor recoveries that could be occasioned by such challenge, if successful, would warrant litigation.

Under the global compromise, except with respect to the Portland Debtors, Debtors holding Allowed Intercompany Claims (*i.e.* accounts and notes owed by one Debtor to another Debtor) will receive 70% of the distribution such Debtor would receive if the Debtors were not substantively consolidated. As the 30% scenario is based on the hypothetical substantive consolidation of all Debtors, no distribution is made on Intercompany Claims, other than with respect to the Portland Debtors, under this scenario. All other potential inter-Debtor remedies, such as the potential disallowance, subordination, or re-characterization of Intercompany Claims, and certain affirmative claims or causes of action against any other Debtor, will be waived. These waivers were negotiated as an integral part of the global compromise in order to ensure that the efficient resolution of these Chapter 11 Cases would not be jeopardized by ongoing inter-estate disputes. These waivers will not affect, however, the Debtors' ability to pursue third parties (including non-Debtor affiliates) on any claims, causes of action or challenges available to any of the Debtors in the absence of substantive consolidation.

d. Asset Ownership Disputes Between ENE and ENA. Substantive consolidation eliminates any issues concerning ownership of assets among the consolidated entities. Absent substantive consolidation, these issues remain and must be resolved either through negotiation or litigation.

Certain inter-estate disputes exist between ENE and ENA regarding their respective equity interests in (and attendant right to sale proceeds of or dividends from) various entities. The Debtors and the Creditors' Committee believe that there are factual and legal issues regarding these disputes, and that some of those issues favor ENE, while others favor ENA. As a compromise of these inter-Debtor disputes, the Debtors, the Creditors' Committee and the ENA

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2 Specifically, this election is available to the holders of Allowed General Unsecured Claims against ENA, EPMI, EGLI, EGM, EIM, ENGMC, ENA Upstream, ECTRIC and ERAC.

Examiner agreed, for purposes of calculating distributions, to allocate the economic ownership of certain assets. Specifically, the global compromise incorporates an agreement whereby: (i) the net economic equity value of Enron Canada will be deemed to be an asset of ENA, (ii) 50% of the net economic equity value of CPS will be deemed to be an asset of ENE and 50% will be deemed to be an asset of ENA, and (iii) the net economic equity value of Bridgeline will be deemed to be an asset of ENA.

e. Ownership of Certain Claims and Causes of Action. As a general rule, absent substantive consolidation, any inter-estate issues regarding rights to and interests in claims and causes of action against third parties must be resolved either by negotiation or litigation among the estates. In contrast, if the estates are substantively consolidated, then the recoveries from any such claims or causes of action are pooled for the benefit of the creditors of all of the consolidated entities.

Many of the Debtors hold claims or causes of action against third parties. In numerous instances, there is no dispute as to the particular Debtor that owns such claims or causes of action. This may be the case, for example, when a specific Debtor had the exclusive course of dealing with the defendant or a specific Debtor held the exclusive legal and beneficial title to property transferred to the defendant. In other cases, however, which of the Debtors holds rights to and interests in claims and causes of actions is not so clear. This is particularly true with respect to claims against certain institutions involved in the prepetition financing of the Debtors, auditors, other professionals, and other parties as these claims may be deemed to belong to all of the Debtors to varying degrees. Accordingly, the global compromise incorporates a division of these claims and causes of action against third parties. While certain claims and causes of action will remain the property of individual Reorganized Debtors (to be prosecuted by the applicable Reorganized Debtor), other claims and causes of action will be transferred to the Litigation Trust or the Special Litigation Trust described below. Moreover, whereas distributions of Plan Currency are allocated to each Debtor based on the likelihood of substantive consolidation formula discussed above, as part of the global compromise, interests in the Litigation Trust and the Special Litigation Trust are allocated pro rata among the holders of Allowed General Unsecured Claims (excluding holders of Allowed General Unsecured Claims against the Portland Debtors) as if all of the Debtors had been substantively consolidated.

f. Guaranty Claims. In a case involving total substantive consolidation, any claim against multiple debtor entities for the same liability, whether joint, primary or secondary (including guaranty claims), is typically deemed to constitute one claim to be satisfied out of the pool of assets. Some courts, however, make exceptions in those situations where a creditor can demonstrate that it extended credit in reliance on its ability to collect from two distinct entities.

Under the global compromise among the Debtors, the Creditors' Committee and the ENA Examiner, an exception to the 30/70 likelihood of substantive consolidation formula is made for Creditors holding guaranties from ENE or Wind. In addition to what a Creditor with a guaranty from ENE or Wind may receive on its primary claim, such Creditor will receive on account of its Allowed Enron Guaranty Claim or Allowed Wind Guaranty Claim, as the case may be, a distribution that includes (i) 70% of the distribution such holder would receive if the Debtors, other than the Portland Debtors, were not substantively consolidated and (ii) one-half of

30% of the distribution such holder would receive if all of the Debtors' estates, other than the estate of the Portland Debtors, were substantively consolidated. By providing for a distribution of a portion of the allocated distribution under the hypothetical consolidation case, the global compromise recognizes the potential that, in a case involving total substantive consolidation, the guaranty claims could be entirely subsumed by the primary claims or could survive as separate claims.

g. **Post-Confirmation Administration.** As part of the global compromise under the Plan, the governance and oversight of these Chapter 11 Cases will be streamlined. Following confirmation of the Plan, a five-member board of directors of Reorganized ENE will be appointed, with four of the directors to be designated by the Debtors after consultation with the Creditors' Committee and one of the directors to be designated by the Debtors after consultation with the ENA Examiner. In the event that, during the period from the Confirmation Hearing up to and including the Effective Date, circumstances require the substitution of one (1) or more persons selected to serve on the board of directors of Reorganized ENE, the Debtors shall file a notice thereof with the Bankruptcy Court and, for purposes of section 1129 of the Bankruptcy Code, any such replacement person, designated in accordance with the requirements of the immediately preceding sentence, shall be deemed to have been selected and disclosed prior to the Confirmation Hearing. The terms and manner of selection of the directors of each of the other Reorganized Debtors shall be as provided in the Reorganized Debtors Certificate of Incorporation and the Reorganized Debtors By-laws, as the same may be amended. The respective roles of the ENE Examiner and the ENA Examiner will be phased out following confirmation of the Plan, and the Creditors' Committee will be dissolved on the Effective Date of the Plan.

3. Overall Fairness of the Settlement

The Debtors and the Creditors' Committee firmly believe that the global compromise embodied in the Plan is fair to each of the Debtors and their respective Creditors and falls within the range of reasonableness required for approval by the Bankruptcy Court.[3] The ENA Examiner has also agreed that the settlements within the global compromise are each within the range of reasonableness as to the Creditors of ENA and its subsidiaries and that the Plan is worthy of being accepted by such Creditors.

Although the Debtors and the Creditors' Committee believe the global compromise can be approved solely on the basis that the settlements contained therein fall within the range of reasonable outcomes, the Debtors and the Creditors' Committee believe that the benefits obtained from avoiding estate-wide litigation by Creditors with conflicting interests cannot be overemphasized. Indeed, if a compromise had not been reached, the Debtors and the Creditors' Committee believe that the cost, delay, and uncertainty attendant to litigating the complex inter-estate issues resolved by the Plan would have resulted in substantially lower recoveries for most, if not all, Creditors.

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[3] The Baupost Group filed a motion seeking appointment of an examiner to evaluate the overall fairness of the global compromise to Creditors of ENE and, in particular, the proposed settlement of the issue of substantive consolidation. On September 4, 2003, the Bankruptcy Court denied the motion.

With respect to the common Plan Currency concept for all Creditors, the Debtors and the Creditors' Committee believe this feature of the global compromise promotes efficiency without being unfair or inequitable. Concerns have previously been raised by certain Creditors of ENA that the filing of a joint plan involving ENA and the other Debtors would be unfair because ENA has been in liquidation since shortly after the Initial Petition Date and should not be unnecessarily entangled with the estates of the other Debtors, including ENE. After careful consideration of these concerns, the Debtors and the Creditors' Committee have concluded that ENA Creditors would not be materially disadvantaged by the common Plan Currency feature. This is because, irrespective of any global compromise, there is inescapable entanglement between the estates of ENA and ENE because ENA is the single largest creditor of ENE and its intercompany claim against ENE is ENA's single largest asset. Thus, distributions to ENA Creditors necessarily depend in large part on what ENA recovers on its intercompany claim against ENE. Similarly, ENE's intercompany claims against EPMI and numerous other Debtors would result in assets of such other Debtors being transferred to ENE for further distribution to ENE's Creditors, including ENA. Thus, while it is an integral feature of the global compromise, the common Plan Currency feature of the Plan is also justifiable for many of the Debtors because of the way in which value is transferred through intercompany claims. In any event, based on the Debtors' current estimates of asset values and Allowed Claims, Plan Currency is expected to be more than two-thirds in the form of Creditor Cash and less than one-third in the form of Plan Securities.

Finally, the allocation of Litigation Trust Interests and Special Litigation Trust Interests on a pro rata basis to holders of Allowed General Unsecured Claims of the Debtors (excluding holders of Allowed General Unsecured Claims against the Portland Debtors) is a feature of the global compromise that provides significant benefits to Creditors that may not otherwise have shared in the potential proceeds from such litigation.

4. Property to be Distributed Under the Plan

The Plan is premised upon the distribution of all of the value of the Debtors' assets (through Creditor Cash, Plan Securities and Interests in the Litigation Trust and the Special Litigation Trust) in accordance with the priority scheme contained in the Bankruptcy Code. Refer to Section XIII., "Securities Laws Matters" and the Plan attached as Exhibit 1: "Chapter 11 Plan". It is anticipated that Creditor Cash will constitute approximately 65% of the Plan Currency. Excluding the potential value of interests in the Litigation Trust and Special Litigation Trust, the Debtors estimate that the value of total recoveries will be approximately $12 billion.

a. Creditor Cash. In addition to Cash available to pay Secured Claims, Administrative Expense Claims, Priority Claims, and Convenience Class Claims as provided for in the Plan, Cash distributions will be made from available Creditor Cash to holders of Allowed General Unsecured Claims, Allowed Intercompany Claims, Allowed Wind Guaranty Claims, and Allowed Enron Guaranty Claims. The Debtors may elect to seek Bankruptcy Court approval to make interim distributions of Creditor Cash after the Confirmation Date, but prior to the Effective Date. If such approval is sought and obtained, then it is anticipated that Creditor Cash would be distributed in 2004. There can be no assurance that the Bankruptcy Court will approve distributions prior to the Effective Date. Notwithstanding the foregoing, upon the joint determination of the Debtors and the Creditors' Committee, the Remaining Assets will be transferred to the Remaining Asset Trust, and the appropriate holders of Allowed Claims will be allocated Remaining Asset Trust Interests. As the Remaining Assets are liquidated, Creditor Cash will be distributed to the holders of the Remaining Asset Trust Interests. The Remaining Asset Trust Interests will be uncertificated and non-transferable, except through the laws of descent or distribution; provided, however, that a recipient may hold such remaining Asset Trust Interests through a single wholly owned entity.

b. PGE Common Stock. PGE is a wholly owned non-Debtor subsidiary of ENE. PGE is a reporting company under the Exchange Act. It is a single integrated electric utility engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. PGE also sells wholesale electric energy to utilities, brokers, and power marketers located throughout the western United States. Pursuant to the Plan, at or subsequent to the Effective Date, ENE will cause PGE to distribute its common stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims. Upon issuance, the PGE Common Stock will be freely transferable by its recipients that are not "underwriters" under section 1145 of the Bankruptcy Code. PGE may list the PGE Common Stock on a national exchange or NASDAQ, but there can be no assurances that it will do so. Notwithstanding the foregoing, in the event that PGE is sold prior to distribution of the PGE Common Stock, the net proceeds will be distributed to Creditors in lieu of PGE Common Stock. Also notwithstanding the foregoing, upon the joint determination of the Debtors and the Creditors' Committee, before the PGE Common Stock is released to the holders of Allowed Claims, the PGE Common Stock may first be issued to the PGE Trust with the PGE Trust Interests being allocated to the appropriate holders of Allowed Claims and the reserve for Disputed Claims. The PGE Trust Interests will be uncertificated and non-transferable, except through the laws of descent or distribution. When there are sufficient Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims to permit distribution of 30% of the PGE Common Stock, the stock, if not sold prior to, or subject to a purchase agreement at, such time, will be released from the PGE Trust to holders of Allowed Claims, with the remainder to be held in reserve for Disputed Claims.[4] For a more detailed description of the restrictions on the transfer of PGE Common Stock, refer to Section XIII., "Securities Laws Matters" and Section XIV., "Risk Factors and Other Factors to be Considered". For further information regarding PGE, refer to Section VIII., "Portland General Electric Company".

c. CrossCountry Common Stock. CrossCountry is a newly-formed non-Debtor subsidiary of ENE, ETS, EOS, and Enron Operations, L.P. As a newly formed holding

4 As discussed herein, the PGE Common Stock, the CrossCountry Common Stock and the Prisma Common Stock are each to be distributed when there are sufficient Allowed General Unsecured Claims, in the aggregate, to permit distribution of 30% of such stock (assuming all consents have been obtained and the stock has not been, in the aggregate, otherwise sold). To determine the date upon which the stock will be distributed, the Reorganized Debtor Plan Administrator must determine that the amount of the Allowed General Unsecured Claims against all Debtors constitute 30% or more of the total potential Claims (essentially, the sum of the Allowed Claims, the liquidated non-contingent filed and scheduled Claims, and the estimated unliquidated and contingent Claims). At such time as this calculation exceeds 30% in the aggregate for all Debtors (assuming all consents have been obtained and the stock has not been otherwise sold), the stock may be distributed.

company, CrossCountry will hold the Debtors' Pipeline Businesses, which provide natural gas transportation services through an extensive North American pipeline infrastructure. CrossCountry's principal assets will consist of (i) a 100% ownership interest in Transwestern, (ii) a 50% ownership interest in Citrus, and (iii) a 100% interest in Northern Plains. Pursuant to the Plan, at or subsequent to the Effective Date, ENE will cause CrossCountry to distribute its common stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims. Upon issuance, the CrossCountry Common Stock will be freely transferable by its recipients that are not "underwriters" under section 1145 of the Bankruptcy Code. CrossCountry agreed to use its best efforts to list the CrossCountry Common Stock on a national exchange or NASDAQ, but there can be no assurances that it will do so. Notwithstanding the foregoing, in the event that all or part of CrossCountry is sold prior to distribution of the CrossCountry Common Stock, the net proceeds will be distributed to Creditors in lieu of or in addition to CrossCountry Common Stock. Also notwithstanding the foregoing, upon the joint determination of the Debtors and the Creditors' Committee, before the CrossCountry Common Stock is released to the holders of Allowed Claims, the CrossCountry Common Stock may first be issued to the CrossCountry Trust with the CrossCountry Trust Interests being allocated to the appropriate holders of Allowed Claims and the reserve for Disputed Claims. The CrossCountry Trust Interests will be uncertificated and non-transferable, except through the laws of descent or distribution. When there are sufficient Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims to permit distribution of 30% of the CrossCountry Common Stock, the stock, if not sold prior to, or subject to a purchase agreement at, such time, will be released from the CrossCountry Trust to holders of Allowed Claims, with the remainder to be held in reserve for Disputed Claims. For a more detailed description of the restrictions on the transfer of the CrossCountry Common Stock, refer to Section XIII., "Securities Laws Matters" and Section XIV., "Risk Factors and Other Factors to be Considered". For more information regarding CrossCountry, refer to Section IX., "CrossCountry Energy Corp."

d. Prisma Common Stock. Prisma is a Cayman Islands entity formed initially as a holding company pending the transfer of certain international energy infrastructure businesses that are indirectly owned by ENE and certain of its affiliates. If all businesses that currently are designated to be transferred to Prisma are successfully transferred, Prisma will engage in the generation and distribution of electricity, the transmission and distribution of natural gas and LPG, and the processing of NGLs, and will have assets in 14 countries. Pursuant to the Plan, at or subsequent to the Effective Date, ENE will cause Prisma to distribute its common stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims. The Prisma Common Stock will be freely transferable upon issuance by its recipients that are not "underwriters" under section 1145 of the Bankruptcy Code. Prisma may list the Prisma Common Stock on a national exchange or NASDAQ, but there can be no assurances that it will do so. Notwithstanding the foregoing, in the event that all or part of Prisma is sold prior to distribution of the Prisma Common Stock, the net proceeds will be distributed to Creditors in lieu of or in addition to Prisma Common Stock. Also notwithstanding the foregoing, upon the joint determination of the Debtors and the Creditors' Committee, before the Prisma Common Stock is released to the holders of Allowed Claims, the Prisma Common Stock may first be issued to the Prisma Trust with the Prisma Trust Interests being allocated to the appropriate holders of

Allowed Claims and the reserve for Disputed Claims. The Prisma Trust Interests will be uncertificated and non-transferable, except through the laws of descent or distribution. When there are sufficient Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims to permit distribution of 30% of the Prisma Common Stock, the stock, if not sold prior to, or subject to a purchase agreement at, such time, will be released from the Prisma Trust to holders of Allowed Claims, with the remainder to be held in reserve for Disputed Claims. For a more detailed description of the restrictions on the transfer of the Prisma Common Stock, refer to Section XIII., "Securities Laws Matters" and Section XIV., "Risk Factors and Other Factors to be Considered". For more information regarding Prisma, refer to Section X., "Prisma Energy International Inc."

e. Interests in Litigation Trust and Special Litigation Trust. Except for claims arising from certain specified commercial disputes (such as claims against counterparties arising from commodities trading contracts) that are readily attributable to one or more specific Debtors and any avoidance actions, the Plan provides for holders of Allowed General Unsecured Claims (except the holders of Allowed General Unsecured Claims against the Portland Debtors) to share the proceeds, if any, from numerous potential causes of action. These causes of action shall be deemed transferred to such Creditors on account of their Allowed Claims, and such Creditors will then be deemed to have contributed such causes of actions to either the Litigation Trust or the Special Litigation Trust in exchange for beneficial interests in such trusts. Pursuant to the Plan, upon the Effective Date, the Debtors will distribute Litigation Trust Interests and the Special Litigation Trust Interests to holders of Allowed General Unsecured Claims in Classes 3 through 178. The Plan contemplates that income or gain, if any, generated from the prosecution or settlement of causes of action by the Litigation Trust and Special Litigation Trust will not be taxable at the trust level, but will flow through to the holders of Litigation Trust Interests and the Special Litigation Trust Interests. In addition, the Plan contemplates that Litigation Trust Interests and Special Litigation Trust Interests will be freely transferable by its recipients that are not "underwriters" under section 1145 of the Bankruptcy Code. For a more detailed description of the restrictions on the transfer of the Litigation Trust Interests and Special Litigation Trust Interests, refer to Section XIII., "Securities Laws Matters" and Section XIV., "Risk Factors and Other Factors to be Considered". However, it is anticipated that the Litigation Trust Interests and Special Litigation Trust Interest will not be listed on a national securities exchange or a NASDAQ market and a market for such interests may not develop. Refer to Section XIV.E.6., "Lack of Trading Market" for further information. No assurance can be given that any income or gain will be generated by the Litigation Trust or the Special Litigation Trust, or that any of the intended tax or transferability features of the Litigation Trust and Special Litigation Trust will ultimately be achieved.

f. Preferred and Common Equity Trusts. Upon the Effective Date, Holders of Allowed Enron Preferred Equity Interests and Allowed Enron Common Equity Interests will receive in exchange for such interests Preferred Equity Trust Interests and Common Equity Trust Interests, respectively. The Preferred Equity Trust and Common Equity Trust will hold the Exchanged Enron Preferred Stock and Exchanged Enron Common Stock, respectively. Holders of the Preferred Equity Trust Interests and Common Equity Trust Interests will have the contingent right to receive cash distributions in the very unlikely event that the value of the Debtors' assets exceeds the Allowed Claims, but in no event will the Exchanged Enron Preferred Stock and Exchanged Enron Common Stock be distributed to such holders. The

Preferred Equity Trust Interests and Common Equity Trust Interests will be uncertificated and non-transferable, except through the laws of descent or distribution.

5. Effectiveness of the Plan

The Plan will become effective upon the satisfaction of the following conditions: (i) the entry of the Confirmation Order and the lapse of 10 days without a stay thereof, (ii) all actions and documents necessary to implement the Plan have been effected or executed, (iii) the requisite consents to the transfer of the Prisma Assets and the issuance of the Prisma Common Stock have been obtained, (iv) the requisite consents to the issuance of the CrossCountry Common Stock have been obtained, and (v) the requisite consents for the issuance of the PGE Common Stock have been obtained.

To the extent practicable or legally permissible, each of the conditions precedent in Section 33.1 of the Plan, may be waived, in whole or in part, by the Debtors with the consent of the Creditors' Committee. Any such waiver of a condition precedent may be effected at any time by filing a notice thereof with the Bankruptcy Court.

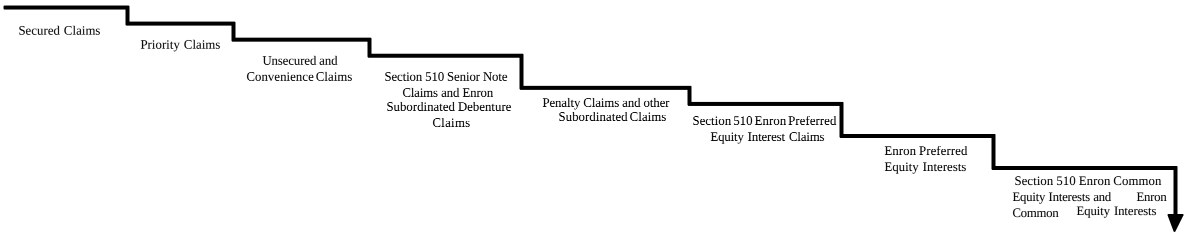
6. Alternative Structures

Notwithstanding anything contained in the Plan to the contrary, the Debtors, if jointly determined after consultation with the Creditors' Committee, may, after obtaining the requisite approvals, including, without limitation, in the event the substance of the economic and governance provisions contained in the Plan are materially adversely affected, the approval of the ENA Examiner as Plan facilitator, (a) form one (1) or more holding companies to hold the common stock of the Entities to be created under the Plan and issue the equity interest therein in lieu of the common stock to be issued under the Plan and (b) form one (1) or more limited liability companies in lieu of the Entities to be created hereunder and issue the membership interests therein in lieu of the common stock to be issued under the Plan.

C. Distributions, Classification and Treatment Under the Plan

1. Priority of Distributions

The graph below illustrates the descending order of priority of the distributions to be made under the Plan. In accordance with the Bankruptcy Code, distributions are made based on this order of priority such that, absent consent, holders of Allowed Claims or Equity Interests in a given Class must be paid in full before a distribution is made to a more junior Class. It should be noted that the Enron Companies continue to believe that existing ENE common stock and preferred stock has no value. However, the Plan provides ENE stockholders with a contingent right to receive a recovery in the very unlikely event that the total amount of ENE's assets exceeds the total amount of Allowed Claims against ENE. The following graph is provided for illustrative purposes only.


Secured Claims
Priority Claims
Unsecured and Convenience Claims
Section 510 Senior Note Claims and Enron Subordinated Debenture Claims
Penalty Claims and other Subordinated Claims
Section 510 Enron Preferred Equity Interest Claims
Enron Preferred Equity Interests
Section 510 Enron Common Equity Interests and Enron Common Equity Interests

2. Summary of Classification and Treatment

The table below summarizes the classification, treatment of, and estimated recoveries on Allowed Claims and Equity Interests under the Plan. Further, the table identifies those Classes entitled to vote on the Plan based on the rules set forth in the Bankruptcy Code. The summary information reflected in the table is qualified in its entirety by reference to the full text of the Plan. Refer to Section VI., "Summary of Debtors' Chapter 11 Plan", Section XIX., "Confirmation Of The Plan", Exhibit 1: "Chapter 11 Plan", and Appendix C: "Estimated Assets, Claims and Distributions" for additional information regarding the Plan and distributions thereunder. The estimates set forth below are very preliminary and are generally based upon information available to the Debtors as of July 1, 2003, but, in certain circumstances, have been updated to reflect subsequent material events. As the preliminary value of assets and amount of claims used to calculate the estimated recoveries may be significantly different than those ultimately realized, the actual distributions under the Plan may be substantially higher or lower than the estimated recoveries set forth below.[5] Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for additional information.

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
N/A	Administrative Expense Claims	Payment in full, in Cash, or in accordance with the terms and conditions of transactions or agreements relating to obligations incurred in the ordinary course of business during the pendency of the Chapter 11 Cases or assumed by the Debtors in Possession.	100%	Unimpaired; Not entitled to vote
N/A	Priority Tax Claims	At the option of the	100%	Unimpaired; Not

5 The estimated recoveries set forth below represent the estimated recovery of each Class under the Plan. Consequently, to the extent that a Creditor is entitled to satisfy all or a portion of such Creditor's Claim through setoff, offset or recoupment, such Creditor's recovery may be higher than reflected herein. In addition, for all Debtors other than the Portland Debtors, the estimated recoveries were based on application of the global compromise. In circumstances where a Debtor's administrative expense claims may exceed the value of its assets, the estimated recovery percentage may be reduced in order to pay in full Allowed Administrative Claims against such Debtor.

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Debtors either (a) paid in full, in Cash, (b) paid over a six-year period from the date of assessment as provided in section 1129(a)(9)(C) of the Bankruptcy Code with interest at a rate to be determined by the Bankruptcy Court, or (c) upon such terms as mutually agreed by the holder of an Allowed Priority Tax Claim and the Debtors.		entitled to vote
1	Priority Non-Tax Claims	Payment in full, in Cash.	100%	Unimpaired; Not entitled to vote
2	Secured Claims	At the option of the Debtors either (a) the payment of such holder's Allowed Secured Claim in full, in Cash; (b) the sale or disposition proceeds of the property securing any Allowed Secured Claim to the extent of the value of their respective interests in such property; (c) the surrender to the holder or holders of any Allowed Secured Claim of the property securing such Claim; or (d) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code.	100%	Unimpaired; Not entitled to vote
3	General Unsecured Claims Against EMCC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EMCC and (b) Pro Rata Share of (i) twelve million	33.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
4	General Unsecured Claims Against ENE	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENE and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	16.6%	Impaired; Entitled to vote
5	General Unsecured Claims Against ENA	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENA and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	19.5%	Impaired; Entitled to vote
6	General Unsecured Claims Against EPMI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPMI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	22.5%	Impaired; Entitled to vote
7	General Unsecured Claims Against PBOG	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to PBOG and	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
8	General Unsecured Claims Against SSLC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to SSLC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.4%	Impaired; Entitled to vote
9	General Unsecured Claims Against EBS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EBS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	10.5%	Impaired; Entitled to vote
10	General Unsecured Claims Against EESO	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EESO and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	13.9%	Impaired; Entitled to vote
11	General unsecured Claims Against EEMC	Distributions of (a) Pro Rata Share of the	22.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Distributive Assets attributable to EEMC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
12	General Unsecured Claims Against EESI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EESI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	17.5%	Impaired; Entitled to vote
13	General Unsecured Claims Against EES	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EES and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	19.3%	Impaired; Entitled to vote
14	General Unsecured Claims Against ETS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ETS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
15	General Unsecured Claims Against BAM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to BAM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
16	General Unsecured Claims Against ENA Asset Holdings	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENA Asset Holdings and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
17	General Unsecured Claims Against EGLI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EGLI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	12.9%	Impaired; Entitled to vote
18	General Unsecured Claims Against EGM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EGM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	0.0%-5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
19	General Unsecured Claims Against ENW	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENW and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	16.5%	Impaired; Entitled to vote
20	General Unsecured Claims Against EIM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EIM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
21	General Unsecured Claims Against OEC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to OEC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	14.3%	Impaired; Entitled to vote
22	General Unsecured Claims Against EECC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EECC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	17.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
23	General Unsecured Claims Against EEOSC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EEOSC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
24	General Unsecured Claims Against Garden State	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Garden State and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0-5.5%	Impaired; Entitled to vote
25	General Unsecured Claims Against Palm Beach	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Palm Beach and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
26	General Unsecured Claims Against TSI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to TSI and (b) Pro Rata Share of (i) twelve million	13.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
27	General Unsecured Claims Against EEIS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EEIS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	17.2%	Impaired; Entitled to vote
28	General Unsecured Claims Against EESOMI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EESOMI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	35.6%	Impaired; Entitled to vote
29	General Unsecured Claims Against EFSI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFSI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.8%	Impaired; Entitled to vote
30	General Unsecured Claims Against EFM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFM and (b)	25.0%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
31	General Unsecured Claims Against EBS LP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EBS LP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	10.1%	Impaired; Entitled to vote
32	General Unsecured Claims Against EESNA	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EESNA and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.5%	Impaired; Entitled to vote
33	General Unsecured Claims Against LNG Marketing	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LNG Marketing and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
34	General Unsecured Claims Against Calypso	Distributions of (a) Pro Rata Share of the	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Distributive Assets attributable to Calypso and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
35	General Unsecured Claims Against Global LNG	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Global LNG and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
36	General Unsecured Claims Against EIFM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EIFM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
37	General Unsecured Claims Against ENGMC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENGMC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	23.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
38	General Unsecured Claims Against ENA Upstream	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENA Upstream and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	7.0%	Impaired; Entitled to vote
39	General Unsecured Claims Against ELFI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ELFI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	10.4%	Impaired; Entitled to vote
40	General Unsecured Claims Against LNG Shipping	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LNG Shipping and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
41	General Unsecured Claims Against EPSC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPSC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	7.8%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
42	General Unsecured Claims Against ECTRIC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECTRIC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	21.5%	Impaired; Entitled to vote
43	General Unsecured Claims Against Communications Leasing	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Communications Leasing and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	18.8%	Impaired; Entitled to vote
44	General Unsecured Claims Against Wind	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Wind and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	34.8%	Impaired; Entitled to vote
45	General Unsecured Claims Against Wind Systems	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Wind Systems and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation	48.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
46	General Unsecured Claims Against EWESC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EWESC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	45.6%	Impaired; Entitled to vote
47	General Unsecured Claims Against Wind Maintenance	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Wind Maintenance and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.2%	Impaired; Entitled to vote
48	General Unsecured Claims Against Wind Constructors	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Wind Constructors and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	46.0%	Impaired; Entitled to vote
49	General Unsecured Claims Against EREC I	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EREC I and (b) Pro Rata Share of (i)	48.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
50	General Unsecured Claims Against EREC II	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EREC II and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	46.0%	Impaired; Entitled to vote
51	General Unsecured Claims Against EREC III	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EREC III and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	45.6%	Impaired; Entitled to vote
52	General Unsecured Claims Against EREC IV	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EREC IV and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.2%	Impaired; Entitled to vote
53	General Unsecured Claims Against EREC V	Distributions of (a) Pro Rata Share of the Distributive Assets	34.8%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		attributable to EREC V and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
54	General Unsecured Claims Against Intratex	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Intratex and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
55	General Unsecured Claims Against EPPI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPPI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
56	General Unsecured Claims Against Methanol	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Methanol and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
57	General Unsecured	Distributions of (a) Pro	12.4%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Claims Against Ventures	Rata Share of the Distributive Assets attributable to Ventures and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		Entitled to vote
58	General Unsecured Claims Against Enron Mauritius	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron Mauritius and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
59	General Unsecured Claims Against India Holdings	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to India Holdings and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
60	General Unsecured Claims Against OPP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to OPP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
61	General Unsecured Claims Against NETCO	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to NETCO and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
62	General Unsecured Claims Against EESSH	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EESSH and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
63	General Unsecured Claims Against Wind Development	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Wind Development and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	72.1%	Impaired; Entitled to vote
64	General Unsecured Claims Against ZWHC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ZWHC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	75.2%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
65	General Unsecured Claims Against Zond Pacific	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Zond Pacific and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
66	General Unsecured Claims Against ERAC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ERAC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	31.3%	Impaired; Entitled to vote
67	General Unsecured Claims Against NEPCO	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to NEPCO and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
68	General Unsecured Claims Against EPICC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPICC and (b) Pro Rata Share of (i) twelve million	0.0%-5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
69	General Unsecured Claims Against NEPCO Power Procurement	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to NEPCO Power Procurement and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
70	General Unsecured Claims Against NEPCO Services International	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to NEPCO Services International and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
71	General Unsecured Claims Against San Juan Gas	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to San Juan Gas and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
72	General Unsecured Claims Against EBF	Distributions of (a) Pro Rata Share of the	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	LLC	Distributive Assets attributable to EBF LLC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
73	General Unsecured Claims Against Zond Minnesota	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Zond Minnesota and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	38.5%	Impaired; Entitled to vote
74	General Unsecured Claims Against EFII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	20.1%	Impaired; Entitled to vote
75	General Unsecured Claims Against E Power Holdings	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to E Power Holdings and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	46.7%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
76	General Unsecured Claims Against EFS-CMS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS-CMS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
77	General Unsecured Claims Against EMI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EMI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	9.8%	Impaired; Entitled to vote
78	General Unsecured Claims Against Expat Services	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Expat Services and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	22.5%	Impaired; Entitled to vote
79	General Unsecured Claims Against Artemis	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Artemis and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	18.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
80	General Unsecured Claims Against CEMS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to CEMS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	17.8%	Impaired; Entitled to vote
81	General Unsecured Claims Against LINGTEC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LINGTEC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	9.9%	Impaired; Entitled to vote
82	General Unsecured Claims Against EGSNVC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EGSNVC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.7%	Impaired; Entitled to vote
83	General Unsecured Claims Against LGMC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LGMC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	7.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
84	General Unsecured Claims Against LRC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LRC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	12.7%	Impaired; Entitled to vote
85	General Unsecured Claims Against LGMI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LGMI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.5%	Impaired; Entitled to vote
86	General Unsecured Claims Against LRCI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LRCI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	13.1%	Impaired; Entitled to vote
87	General Unsecured Claims Against ECG	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECG and (b) Pro Rata Share of (i) twelve million	5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
88	General Unsecured Claims Against EnRock Management	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EnRock Management and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
89	General Unsecured Claims Against ECI Texas	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECI Texas and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
90	General Unsecured Claims Against EnRock	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EnRock and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	73.9%	Impaired; Entitled to vote
91	General Unsecured Claims Against ECI Nevada	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECI Nevada	10.1%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
92	General Unsecured Claims Against Alligator Alley	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Alligator Alley and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
93	General Unsecured Claims Against Enron Wind Storm Lake I	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron Wind Storm Lake I and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	14.3%	Impaired; Entitled to vote
94	General Unsecured Claims Against ECTMI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECTMI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	58.2%	Impaired; Entitled to vote
95	General Unsecured Claims Against	Distributions of (a) Pro Rata Share of the	16.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	EnronOnline, LLC	Distributive Assets attributable to EnronOnline, LLC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
96	General Unsecured Claims Against St. Charles Development	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to St. Charles Development and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
97	General Unsecured Claims Against Calcasieu	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Calcasieu and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
98	General Unsecured Claims Against Calvert City Power	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Calvert City Power and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	0.0%-5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
99	General Unsecured Claims Against Enron ACS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron ACS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	8.0%	Impaired; Entitled to vote
100	General Unsecured Claims Against LOA	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to LOA and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
101	General Unsecured Claims Against ENIL	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENIL and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.2%	Impaired; Entitled to vote
102	General Unsecured Claims Against EI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	0.0%-5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
103	General Unsecured Claims Against EINT	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EINT and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	11.9%	Impaired; Entitled to vote
104	General Unsecured Claims Against EMDE	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EMDE and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	7.7%	Impaired; Entitled to vote
105	Unsecured Claims Against WarpSpeed	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to WarpSpeed and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
106	General Unsecured Claims Against Modulus	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Modulus and (b) Pro Rata Share of (i) twelve million	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
107	General Unsecured Claims Against ETI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ETI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.4%	Impaired; Entitled to vote
108	General Unsecured Claims Against DSG	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to DSG and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
109	General Unsecured Claims Against RMTC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to RMTC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
110	General Unsecured Claims Against Omicron	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Omicron and	5.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
111	General Unsecured Claims Against EFS I	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS I and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
112	General Unsecured Claims Against EFS II	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS II and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.8%	Impaired; Entitled to vote
113	General Unsecured Claims Against EFS III	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS III and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
114	General Unsecured Claims Against EFS V	Distributions of (a) Pro Rata Share of the	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Distributive Assets attributable to EFS V and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
115	General Unsecured Claims Against EFS VI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS VI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
116	General Unsecured Claims Against EFS VII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS VII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.1%	Impaired; Entitled to vote
117	General Unsecured Claims Against EFS IX	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS IX and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
118	General Unsecured Claims Against EFS X	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS X and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.9%	Impaired; Entitled to vote
119	General Unsecured Claims Against EFS XI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS XI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	7.4%	Impaired; Entitled to vote
120	General Unsecured Claims Against EFS XII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS XII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	14.3%	Impaired; Entitled to vote
121	General Unsecured Claims Against EFS XV	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS XV and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	0.0%-5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
122	General Unsecured Claims Against EFS XVII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS XVII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
123	General Unsecured Claims Against Jovinole	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Jovinole and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
124	General Unsecured Claims Against EFS Holdings	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS Holdings and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	19.1%	Impaired; Entitled to vote
125	General Unsecured Claims Against EOS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EOS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	21.4%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
126	General Unsecured Claims Against Green Power	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Green Power and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
127	General Unsecured Claims Against TLS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to TLS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	25.0%	Impaired; Entitled to vote
128	General Unsecured Claims Against ECT Securities Limited Partnership	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECT Securities Limited Partnership and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	12.8%	Impaired; Entitled to vote
129	General Unsecured Claims Against ECT Securities LP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECT Securities LP and (b) Pro	5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
130	General Unsecured Claims Against ECT Securities GP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECT Securities GP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%-5.5%	Impaired; Entitled to vote
131	General Unsecured Claims Against KUCC Cleburne	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to KUCC Cleburne and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
132	General Unsecured Claims Against EIAM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EIAM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
133	General Unsecured Claims Against EBPHXI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EBPHXI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
134	General Unsecured Claims Against EHC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EHC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
135	General Unsecured Claims Against EDM	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EDM and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
136	General Unsecured Claims Against EIKH	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EIKH and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
137	General Unsecured Claims Against ECHVI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECHVI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	6.1%	Impaired; Entitled to vote
138	General Unsecured Claims Against EIAC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EIAC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
139	General Unsecured Claims Against EBPIXI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EBPIXI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
140	General Unsecured Claims Against Paulista	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Paulista and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
141	General Unsecured Claims Against EPCSC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPCSC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	65.1%	Impaired; Entitled to vote
142	General Unsecured Claims Against Pipeline Services	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Pipeline Services and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	12.1%	Impaired; Entitled to vote
143	General Unsecured Claims Against ETPC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ETPC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
144	General Unsecured Claims Against ELSC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ELSC and (b) Pro Rata Share of (i) twelve million	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
145	General Unsecured Claims Against EMMS	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EMMS and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	17.6%	Impaired; Entitled to vote
146	General Unsecured Claims Against ECFL	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECFL and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
147	General Unsecured Claims Against EPGI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPGI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
148	General Unsecured Claims Against Transwestern Gathering	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Transwestern Gathering and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
149	General Unsecured Claims Against Enron Gathering	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron Gathering and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
150	General Unsecured Claims Against EGP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EGP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.6%	Impaired; Entitled to vote
151	General Unsecured Claims Against EAMR	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EAMR and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	16.1%	Impaired; Entitled to vote
152	General Unsecured	Distributions of (a) Pro	32.8%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Claims Against EBP I	Rata Share of the Distributive Assets attributable to EBP I and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		Entitled to vote
153	General Unsecured Claims Against EBHL	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EBHL and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	18.7%	Impaired; Entitled to vote
154	General Unsecured Claims Against Enron Wind Storm Lake II	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron Wind Storm Lake II and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
155	General Unsecured Claims Against EREC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EREC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	7.4%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
156	General Unsecured Claims Against EA III	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EA III and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	13.1%	Impaired; Entitled to vote
157	General Unsecured Claims Against EWLB	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EWLB and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	37.5%	Impaired; Entitled to vote
158	General Unsecured Claims Against SCC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to SCC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	14.5%	Impaired; Entitled to vote
159	General Unsecured Claims Against EFS IV	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS IV and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii)	49.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		twelve million (12,000,000) Special Litigation Trust Interests.		
160	General Unsecured Claims Against EFS VIII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS VIII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	64.2%	Impaired; Entitled to vote
161	General Unsecured Claims Against EFS XIII	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EFS XIII and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
162	General Unsecured Claims Against ECI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
163	General Unsecured Claims Against EPC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EPC and (b) Pro Rata Share of (i) twelve million	28.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
164	General Unsecured Claims Against Richmond Power	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Richmond Power and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	5.5%	Impaired; Entitled to vote
165	General Unsecured Claims Against ECTSVC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ECTSVC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	39.6%	Impaired; Entitled to vote
166	General Unsecured Claims Against EDF	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EDF and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	19.6%	Impaired; Entitled to vote
167	General Unsecured Claims Against ACFI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ACFI and	10.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		(b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
168	General Unsecured Claims Against TPC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to TPC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
169	General Unsecured Claims Against APACHI	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to APACHI and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	34.2%	Impaired; Entitled to vote
170	General Unsecured Claims Against EDC	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EDC and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	18.4%	Impaired; Entitled to vote
171	General Unsecured Claims Against ETP	Distributions of (a) Pro Rata Share of the	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Distributive Assets attributable to ETP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.		
172	General Unsecured Claims Against NSH	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to NSH and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	37.3%	Impaired; Entitled to vote
173	General Unsecured Claims Against Enron South America	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron South America and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	26.8%	Impaired; Entitled to vote
174	General Unsecured Claims Against EGPP	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to EGPP and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	46.0%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
175	General Unsecured Claims Against Cabazon Power	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Cabazon Power and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
176	General Unsecured Claims Against Cabazon Holdings	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Cabazon Holdings and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	75.5%	Impaired; Entitled to vote
177	General Unsecured Claims Against Enron Caribbean	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Enron Caribbean and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	15.4%	Impaired; Entitled to vote
178	General Unsecured Claims Against Victory Garden	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to Victory Garden and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special	75.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Litigation Trust Interests.		
179	General Unsecured Claims Against PGH	Distributions of Pro Rata Share of the Portland Creditor Cash.	69.1%	Impaired; Entitled to vote
180	General Unsecured Claims Against PTC	Distributions of Pro Rata Share of the Portland Creditor Cash.	0.0%	Impaired; Entitled to vote
181	Enron Subordinated Debenture Claims	Distributions of (a) Pro Rata Share of Distributive Assets attributable to ENE and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests; subject to subordination rights of holders of Senior Indebtedness under section 510(a) of the Bankruptcy Code and, as a result thereof, the aggregate of such distributions shall be distributed to holders of Allowed General Unsecured Claims that constitute Senior Indebtedness.	0.0%	Impaired; Not entitled to vote
182	Enron TOPRS Debenture Claims	Distributions of (a) Pro Rata Share of the Distributive Assets attributable to ENE and (b) Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.	0.0%	Impaired; Not entitled to vote
183	Enron Guaranty Claims	Distributions of Pro Rata Share of the Enron	13.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Guaranty Distributive Assets.		Entitled to vote
184	Wind Guaranty Claims	Distributions of Pro Rata Share of the Wind Guaranty Distributive Assets.	32.1%	Impaired; Entitled to vote
185	Intercompany Claims	Distributions of Pro Rata Share of the Intercompany Distributive Assets.	Variable	Impaired Not entitled to vote
186	Convenience Claims Against EMCC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EMCC.	30.0%	Impaired; Entitled to vote
187	Convenience Claims Against ENE	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENE.	14.9%	Impaired; Entitled to vote
188	Convenience Claims Against ENA.	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENA.	17.6%	Impaired; Entitled to vote
189	Convenience Claims Against EPMI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPMI.	20.3%	Impaired; Entitled to vote
190	Convenience Claims Against PBOG	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against PBOG.	67.9%	Impaired; Entitled to vote
191	Convenience Claims Against SSLC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against SSLC.	10.2%	Impaired; Entitled to vote
192	Convenience Claims Against EBS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EBS.	9.4%	Impaired; Entitled to vote
193	Convenience Claims Against EESO	Payment in Cash of the amount of the Convenience Claim Distribution	12.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Percentage against EESO.		
194	Convenience Claims Against EEMC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EEMC.	20.2%	Impaired; Entitled to vote
195	Convenience Claims Against EESI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EESI.	15.8%	Impaired; Entitled to vote
196	Convenience Claims Against EES	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EES.	17.4%	Impaired; Entitled to vote
197	Convenience Claims Against ETS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ETS.	67.9%	Impaired; Entitled to vote
198	Convenience Claims Against BAM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against BAM.	0.0%-4.9%	Impaired; Entitled to vote
199	Convenience Claims Against ENA Asset Holdings	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENA Asset Holdings.	67.9%	Impaired; Entitled to vote
200	Convenience Claims Against EGLI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EGLI.	11.6%	Impaired; Entitled to vote
201	Convenience Claims Against EGM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EGM.	0.0%-4.9%	Impaired; Entitled to vote
202	Convenience Claims Against ENW	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENW.	14.8%	Impaired; Entitled to vote
203	Convenience Claims	Payment in Cash of the amount of the Convenience	0.0%-4.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Against EIM	Claim Distribution Percentage against EIM.		Entitled to vote
204	Convenience Claims Against OEC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against OEC.	12.9%	Impaired; Entitled to vote
205	Convenience Claims Against EECC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EECC.	15.9%	Impaired; Entitled to vote
206	Convenience Claims Against EEOSC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EEOSC.	4.9%	Impaired; Entitled to vote
207	Convenience Claims Against Garden State	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Garden State.	0.0%-4.9%	Impaired; Entitled to vote
208	Convenience Claims Against Palm Beach	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Palm Beach.	0.0%-4.9%	Impaired; Entitled to vote
209	Convenience Claims Against TSI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against TSI.	12.0%	Impaired; Entitled to vote
210	Convenience Claims Against EEIS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EEIS.	15.4%	Impaired; Entitled to vote
211	Convenience Claims Against EESOMI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EESOMI.	32.0%	Impaired; Entitled to vote
212	Convenience Claims Against EFSI	Payment in Cash of the amount of the Convenience	10.6%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Claim Distribution Percentage against EFSI.		
213	Convenience Claims Against EFM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFM.	22.5%	Impaired; Entitled to vote
214	Convenience Claims Against EBS LP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EBS LP.	9.0%	Impaired; Entitled to vote
215	Convenience Claims Against EESNA	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EESNA.	10.4%	Impaired; Entitled to vote
216	Convenience Claims Against LNG Marketing	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LNG Marketing.	67.9%	Impaired; Entitled to vote
217	Convenience Claims Against Calypso	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Calypso.	67.9%	Impaired; Entitled to vote
218	Convenience Claims Against Global LNG	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Global LNG.	67.9%	Impaired; Entitled to vote
219	Convenience Claims Against EIFM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EIFM.	67.9%	Impaired; Entitled to vote
220	Convenience Claims Against ENGMC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENGMC.	21.2%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
221	Convenience Claims Against ENA Upstream	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENA Upstream.	6.3%	Impaired; Entitled to vote
222	Convenience Claims Against ELFI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ELFI.	9.4%	Impaired; Entitled to vote
223	Convenience Claims Against LNG Shipping	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LNG Shipping.	67.9%	Impaired; Entitled to vote
224	Convenience Claims Against EPSC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPSC.	7.0%	Impaired; Entitled to vote
225	Convenience Claims Against ECTRIC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECTRIC.	19.4%	Impaired; Entitled to vote
226	Convenience Claims Against Communications Leasing	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Communications Leasing.	16.9%	Impaired; Entitled to vote
227	Convenience Claims Against Wind	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind.	31.4%	Impaired; Entitled to vote
228	Convenience Claims Against Wind Systems	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind Systems.	43.4%	Impaired; Entitled to vote
229	Convenience Claims Against EWESC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against	41.0%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		EWESC.		
230	Convenience Claims Against Wind Maintenance	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind Maintenance.	5.6%	Impaired; Entitled to vote
231	Convenience Claims Against Wind Constructors	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind Constructors.	41.4%	Impaired; Entitled to vote
232	Convenience Claims Against EREC I	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC I.	43.4%	Impaired; Entitled to vote
233	Convenience Claims Against EREC II	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC II.	41.4%	Impaired; Entitled to vote
234	Convenience Claims Against EREC III	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC III.	41.0%	Impaired; Entitled to vote
235	Convenience Claims Against EREC IV	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC IV.	5.6%	Impaired; Entitled to vote
236	Convenience Claims Against EREC V	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC V.	31.4%	Impaired; Entitled to vote
237	Convenience Claims Against Intratex	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Intratex.	0.0%-4.9%	Impaired; Entitled to vote
238	Convenience Claims	Payment in Cash of the	0.0%-4.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Against EPPI	amount of the Convenience Claim Distribution Percentage against EPPI.		Entitled to vote
239	Convenience Claims Against Methanol	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Methanol.	0.0%-4.9%	Impaired; Entitled to vote
240	Convenience Claims Against Ventures	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Ventures.	11.2%	Impaired; Entitled to vote
241	Convenience Claims Against Enron Mauritius	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron Mauritius.	0.0%-4.9%	Impaired; Entitled to vote
242	Convenience Claims Against India Holdings	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against India Holdings.	0.0%-4.9%	Impaired; Entitled to vote
243	Convenience Claims Against OPP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against OPP.	67.9%	Impaired; Entitled to vote
244	Convenience Claims Against NETCO	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against NETCO.	67.9%	Impaired; Entitled to vote
245	Convenience Claims Against EESSH	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EESSH.	0.0%-4.9%	Impaired; Entitled to vote
246	Convenience Claims Against Wind Development	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind	64.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Development.		
247	Convenience Claims Against ZWHC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ZWHC.	67.7%	Impaired; Entitled to vote
248	Convenience Claims Against Zond Pacific	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Zond Pacific.	4.9%	Impaired; Entitled to vote
249	Convenience Claims Against ERAC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ERAC.	28.2%	Impaired; Entitled to vote
250	Convenience Claims Against NEPCO	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against NEPCO.	0.0%-4.9%	Impaired; Entitled to vote
251	Convenience Claims Against EPICC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPICC.	0.0%-4.9%	Impaired; Entitled to vote
252	Convenience Claims Against NEPCO Power Procurement	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against NEPCO Power Procurement.	0.0%-4.9%	Impaired; Entitled to vote
253	Convenience Claims Against NEPCO Services International	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against NEPCO Services International.	0.0%-4.9%	Impaired; Entitled to vote
254	Convenience Claims Against San Juan Gas	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against San Juan Gas.	0.0%-4.9%	Impaired; Entitled to vote
255	Convenience Claims Against EBF LLC	Payment in Cash of the amount of the Convenience	67.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Claim Distribution Percentage against EBF LLC.		
256	Convenience Claims Against Zond Minnesota	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Zond Minnesota.	34.6%	Impaired; Entitled to vote
257	Convenience Claims Against EFII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFII.	18.1%	Impaired; Entitled to vote
258	Convenience Claims Against E Power Holdings	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against E Power Holdings.	42.0%	Impaired; Entitled to vote
259	Convenience Claims Against EFS-CMS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS-CMS.	0.0%-4.9%	Impaired; Entitled to vote
260	Convenience Claims Against EMI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EMI.	8.8%	Impaired; Entitled to vote
261	Convenience Claims Against Expat Services	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Expat Services.	20.2%	Impaired; Entitled to vote
262	Convenience Claims Against Artemis	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Artemis.	16.5%	Impaired; Entitled to vote
263	Convenience Claims Against CEMS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against CEMS.	16.0%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
264	Convenience Claims Against LINGTEC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LINGTEC.	8.9%	Impaired; Entitled to vote
265	Convenience Claims Against EGSNVC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EGSNVC.	6.0%	Impaired; Entitled to vote
266	Convenience Claims Against LGMC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LGMC.	7.1%	Impaired; Entitled to vote
267	Convenience Claims Against LRC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LRC.	11.4%	Impaired; Entitled to vote
268	Convenience Claims Against LGMI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LGMI.	10.3%	Impaired; Entitled to vote
269	Convenience Claims Against LRCI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LRCI.	11.8%	Impaired; Entitled to vote
270	Convenience Claims Against ECG	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECG.	4.9%	Impaired; Entitled to vote
271	Convenience Claims Against EnRock Management	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EnRock Management.	67.9%	Impaired; Entitled to vote
272	Convenience Claims Against ECI Texas	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECI Texas.	67.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
273	Convenience Claims Against EnRock	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EnRock.	66.5%	Impaired; Entitled to vote
274	Convenience Claims Against ECI Nevada	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECI Nevada.	9.1%	Impaired; Entitled to vote
275	Convenience Claims Against Alligator Alley	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Alligator Alley.	0.0%-4.9%	Impaired; Entitled to vote
276	Convenience Claims Against Enron Wind Storm Lake I	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron Wind Storm Lake I.	12.8%	Impaired; Entitled to vote
277	Convenience Claims Against ECTMI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECTMI.	52.4%	Impaired; Entitled to vote
278	Convenience Claims Against EnronOnLine, LLC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EnronOnLine, LLC.	15.2%	Impaired; Entitled to vote
279	Convenience Claims Against St. Charles Development	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against St. Charles Development.	0.0%-4.9%	Impaired; Entitled to vote
280	Convenience Claims Against Calcasieu	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Calcasieu.	0.0%-4.9%	Impaired; Entitled to vote
281	Convenience Claims Against Calvert City	Payment in Cash of the amount of the Convenience	0.0%-4.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Power	Claim Distribution Percentage against Calvert City Power.		Entitled to vote
282	Convenience Claims Against Enron ACS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron ACS.	7.2%	Impaired; Entitled to vote
283	Convenience Claims Against LOA	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against LOA.	0.0%-4.9%	Impaired; Entitled to vote
284	Convenience Claims Against ENIL	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ENIL.	10.1%	Impaired; Entitled to vote
285	Convenience Claims Against EI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EI.	0.0%-4.9%	Impaired; Entitled to vote
286	Convenience Claims Against EINT	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EINT.	10.7%	Impaired; Entitled to vote
287	Convenience Claims Against EMDE	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EMDE.	7.0%	Impaired; Entitled to vote
288	Convenience Claims Against WarpSpeed	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against WarpSpeed.	0.0%-4.9%	Impaired; Entitled to vote
289	Convenience Claims Against Modulus	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Modulus.	67.9%	Impaired; Entitled to vote
290	Convenience Claims Against ETI	Payment in Cash of the amount of the Convenience	5.7%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Claim Distribution Percentage against ETI.		
291	Convenience Claims Against DSG	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against DSG.	0.0%-4.9%	Impaired; Entitled to vote
292	Convenience Claims Against RMTC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against RMTC.	67.9%	Impaired; Entitled to vote
293	Convenience Claims Against Omicron	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Omicron.	5.1%	Impaired; Entitled to vote
294	Convenience Claims Against EFS I	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS I.	0.0%-4.9%	Impaired; Entitled to vote
295	Convenience Claims Against EFS II	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS II.	5.2%	Impaired; Entitled to vote
296	Convenience Claims Against EFS III	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS III.	67.9%	Impaired; Entitled to vote
297	Convenience Claims Against EFS V	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS V.	67.9%	Impaired; Entitled to vote
298	Convenience Claims Against EFS VI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS VI.	67.9%	Impaired; Entitled to vote
299	Convenience Claims Against EFS VII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS VII.	5.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
300	Convenience Claims Against EFS IX	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS IX.	67.9%	Impaired; Entitled to vote
301	Convenience Claims Against EFS X	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS X.	5.3%	Impaired; Entitled to vote
302	Convenience Claims Against EFS XI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS XI.	6.7%	Impaired; Entitled to vote
303	Convenience Claims Against EFS XII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS XII.	12.9%	Impaired; Entitled to vote
304	Convenience Claims Against EFS XV	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS XV.	0.0%-4.9%	Impaired; Entitled to vote
305	Convenience Claims Against EFS XVII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS XVII.	67.9%	Impaired; Entitled to vote
306	Convenience Claims Against Jovinole	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Jovinole.	4.9%	Impaired; Entitled to vote
307	Convenience Claims Against EFS Holdings	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS Holdings.	17.2%	Impaired; Entitled to vote
308	Convenience Claims Against EOS	Payment in Cash of the amount of the Convenience Claim Distribution	19.3%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Percentage against EOS.		
309	Convenience Claims Against Green Power	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Green Power.	67.9%	Impaired; Entitled to vote
310	Convenience Claims Against TLS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against TLS.	22.5%	Impaired; Entitled to vote
311	Convenience Claims Against ECT Securities Limited Partnership	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECT Securities Limited Partnership.	11.5%	Impaired; Entitled to vote
312	Convenience Claims Against ECT Securities LP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECT Securities LP.	4.9%	Impaired; Entitled to vote
313	Convenience Claims Against ECT Securities GP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECT Securities GP.	0.0%-4.9%	Impaired; Entitled to vote
314	Convenience Claims Against KUCC Cleburne	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against KUCC Cleburne.	4.9%	Impaired; Entitled to vote
315	Convenience Claims Against EIAM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EIAM.	67.9%	Impaired; Entitled to vote
316	Convenience Claims Against EBPHXI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EBPHXI.	4.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
317	Convenience Claims Against EHC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EHC.	67.9%	Impaired; Entitled to vote
318	Convenience Claims Against EDM	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EDM.	67.9%	Impaired; Entitled to vote
319	Convenience Claims Against EIKH	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EIKH.	67.9%	Impaired; Entitled to vote
320	Convenience Claims Against ECHVI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECHVI.	5.5%	Impaired; Entitled to vote
321	Convenience Claims Against EIAC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EIAC.	67.9%	Impaired; Entitled to vote
322	Convenience Claims Against EBPIXI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EBPIXI.	4.9%	Impaired; Entitled to vote
323	Convenience Claims Against Paulista	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Paulista.	4.9%	Impaired; Entitled to vote
324	Convenience Claims Against EPCSC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPCSC.	58.6%	Impaired; Entitled to vote
325	Convenience Claims Against Pipeline Services	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Pipeline Services.	10.9%	Impaired; Entitled to vote
326	Convenience Claims	Payment in Cash of the	67.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Against ETPC	amount of the Convenience Claim Distribution Percentage against ETPC.		Entitled to vote
327	Convenience Claims Against ELSC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ELSC.	67.9%	Impaired; Entitled to vote
328	Convenience Claims Against EMMS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EMMS.	15.9%	Impaired; Entitled to vote
329	Convenience Claims Against ECFL	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECFL.	67.9%	Impaired; Entitled to vote
330	Convenience Claims Against EPGI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPGI.	67.9%	Impaired; Entitled to vote
331	Convenience Claims Against Transwestern Gathering	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Transwestern Gathering.	67.9%	Impaired; Entitled to vote
332	Convenience Claims Against Enron Gathering	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron Gathering.	67.9%	Impaired; Entitled to vote
333	Convenience Claims Against EGP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EGP.	5.1%	Impaired; Entitled to vote
334	Convenience Claims Against EAMR	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EAMR.	14.5%	Impaired; Entitled to vote
335	Convenience Claims Against EBP-I	Payment in Cash of the amount of the Convenience Claim Distribution	29.5%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Percentage against EBP-I.		
336	Convenience Claims Against EBHL	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EBHL.	16.8%	Impaired; Entitled to vote
337	Convenience Claims Against Enron Wind Storm Lake II	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron Wind Storm Lake II.	4.9%	Impaired; Entitled to vote
338	Convenience Claims Against EREC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EREC.	6.6%	Impaired; Entitled to vote
339	Convenience Claims Against EA III	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EA III.	11.8%	Impaired; Entitled to vote
340	Convenience Claims Against EWLB	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EWLB.	33.8%	Impaired; Entitled to vote
341	Convenience Claims Against SCC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against SCC.	13.1%	Impaired; Entitled to vote
342	Convenience Claims Against EFS IV	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS IV.	44.7%	Impaired; Entitled to vote
343	Convenience Claims Against EFS VIII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS VIII.	57.8%	Impaired; Entitled to vote
344	Convenience Claims Against EFS XIII	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EFS XIII.	67.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
345	Convenience Claims Against ECI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECI.	67.9%	Impaired; Entitled to vote
346	Convenience Claims Against EPC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EPC.	25.8%	Impaired; Entitled to vote
347	Convenience Claims Against Richmond Power	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Richmond Power.	4.9%	Impaired; Entitled to vote
348	Convenience Claims Against ECTSVC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ECTSVC.	35.6%	Impaired; Entitled to vote
349	Convenience Claims Against EDF	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EDF.	17.7%	Impaired; Entitled to vote
350	Convenience Claims Against ACFI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against ACFI.	9.4%	Impaired; Entitled to vote
351	Convenience Claims Against TPC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against TPC.	67.9%	Impaired; Entitled to vote
352	Convenience Claims Against APACHI	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against APACHI.	30.8%	Impaired; Entitled to vote
353	Convenience Claims Against EDC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EDC.	16.5%	Impaired; Entitled to vote
354	Convenience Claims	Payment in Cash of the	67.9%	Impaired;

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
	Against ETP	amount of the Convenience Claim Distribution Percentage against ETP.		Entitled to vote
355	Convenience Claims Against NHS	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against NHS.	33.6%	Impaired; Entitled to vote
356	Convenience Claims Against Enron South America	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron South America.	24.1%	Impaired; Entitled to vote
357	Convenience Claims Against EGPP	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against EGPP.	41.4%	Impaired; Entitled to vote
358	Convenience Claims Against PGH	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against PGH.	62.2%	Impaired; Entitled to vote
359	Convenience Claims Against PTC	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against PTC.	0.0%	Impaired; Entitled to vote
360	Enron Guaranty Convenience Claims	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Enron Guaranty Distributive Assets.	12.5%	Impaired; Entitled to vote
361	Wind Guaranty Convenience Claims	Payment in Cash of the amount of the Convenience Claim Distribution Percentage against Wind Guaranty Distributive Assets.	28.9%	Impaired; Entitled to vote
362	Convenience Claims Against Cabazon Power	Payment in Cash of the amount of the Convenience Claim -Distribution Percentage Against	67.9%	Impaired; Entitled to vote

Class	Type of Allowed Claim or Equity Interest	Treatment	Estimated Recovery	Status
		Cabazon Power		
363	Convenience Claims Against Cabazon Holdings	Payment in Cash of the amount of the Convenience Claim Distribution Percentage Against Cabazon Holdings	67.9%	Impaired; Entitled to vote
364	Convenience Claims Against Enron Caribbean	Payment in Cash of the amount of the Convenience Claim Distribution Percentage Against Enron Caribbean	13.8%	Impaired; Entitled to vote
365	Convenience Claims Against Victory Garden	Payment in Cash of the amount of the Convenience Claim Distribution Percentage Against Victory Garden	67.9%	Impaired; Entitled to vote
366-372	Subordinated Claims	No distribution	0.0%	Impaired; Not entitled to vote
373	Enron Preferred Equity Interests	No distribution	0.0%	Impaired; Not entitled to vote
374	Enron Common Equity Interests	No distribution	0.0%	Impaired; Not entitled to vote
375	Other Equity Interests	No distribution	0.0%	Impaired; Not entitled to vote

D. Assets, Claims and Distributions

1. Estimates

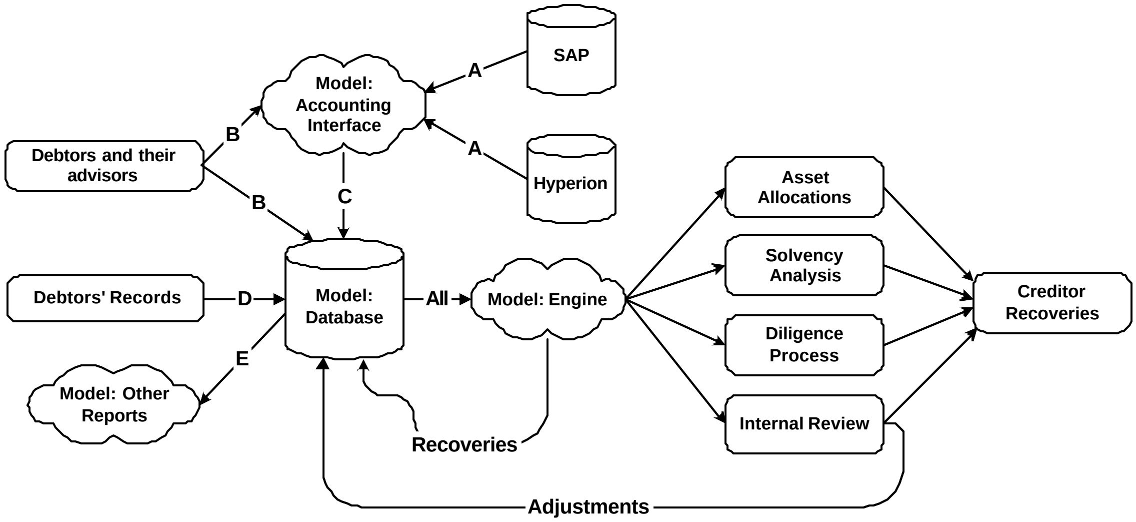
Refer to Appendix C: "Estimated Assets, Claims and Distributions" for a summary description of the assets and liabilities of each Debtor, as well as the estimated recoveries under the Plan for the Creditors of each Debtor. The values, claim amounts, and distribution ranges reflected in these schedules are estimated based on the information available to the Debtors as of the time of preparation of the schedules. Actual results may vary widely from these estimates. Refer to Section XIV.C., "Variance from Valuations, Estimates and Projections" for further information.

2. Methodology for Calculating Estimated Recoveries

As described in more detail below, the estimated recoveries are calculated by analyzing, on a Debtor-by-Debtor basis, the estimated asset value available for distribution under the Plan and the Claims to be satisfied pursuant to the Plan for that Debtor. This data was then coupled with the global compromise embodied in the Plan to generate the estimated recoveries or range of distribution.

a. Blackstone Model. Given the magnitude of third-party and intercompany claims and the complexity of the ownership structure and inter-estate disputes, the Debtors required a complex computer program to maintain the requisite data regarding assets, liabilities, value allocation, and related issues, as well as to provide a means for calculating distributions or recoveries under the Plan. Accordingly, shortly following the Initial Petition Date, Blackstone began to develop the Blackstone Model, a complex computer model designed to serve this purpose. The model is a complex and customized software program consisting of more than 15,000 lines of computer code, as well as multiple, integrated spreadsheets and databases. The model interfaces directly with the Debtors' accounting systems and supporting analyses performed by the Debtors and their advisors regarding assets and liabilities of the estates. To ensure the consistency of the model, it incorporates internal cross-checks and generates detailed summary reports and control schedules.

The Blackstone Model tracks the assets and liabilities of each Debtor and most of the other Enron Companies. Taking into consideration, among other things, the complexity of intercompany claims and equity interests between the Enron Companies, the model calculates the value of the assets of each Debtor and the allocation of that value to satisfy secured, administrative, priority, and unsecured Claims against each Debtor. Further, the Blackstone Model was designed to permit the incorporation of numerous variables reflecting different values and legal assumptions. The graphic below illustrates the Blackstone Model mechanics:



SAP
Model: Accounting Interface
Hyperion
Debtors and their advisors
A
A
B
B
C
Debtors' Records
D
Model: Database
All
Model: Engine
E
Model: Other Reports
Recoveries
Asset Allocations
Solvency Analysis
Diligence Process
Internal Review
Creditor Recoveries
Adjustments

Key to Diagram

A: Third party and intercompany account balances
B: Asset values, trade book estimates, guarantees and claims data
C: Adjusted aggregate assets, claims and intercompany balances
D: Equity ownership, supporting information and bankruptcy case status
E: Recovery percentages used to produce summary reports and control schedules

In June 2002, the Debtors shared a preliminary draft of the Blackstone Model with the Creditors' Committee. The Creditors' Committee tested the validity of the Blackstone Model for purposes of calculating and analyzing various permutations of a potential chapter 11 plan. In February 2003, the Debtors shared a draft of the Blackstone Model with the ENA Examiner for his independent verification. The ENA Examiner similarly concluded that the Blackstone Model was a reliable tool for its intended purpose.

b. Estimated Asset Value to be Distributed Under Plan. Other than cash on hand, the asset valuation information contained in the Blackstone Model reflects either (i) if the asset has been sold, the sales price or (ii) if the asset has not been sold, an estimate developed by Blackstone and management. For this purpose, a Debtor's assets may include Cash, assets held for sale, assets identified for transfer into CrossCountry or Prisma, claims and causes of action, and investments in subsidiaries. Due to the inherent uncertainties of litigation, for purposes of estimating asset value, no value has been ascribed to any claims or causes of action the Debtors may have.

c. Estimated Claims to be Satisfied Under Plan. The claims estimates included in the Blackstone Model were estimated using the following procedures: (i) Administrative Expense, Secured, and Priority Claims, including Administrative Expense Claims against other Debtors, have been estimated by the Debtors based upon historical expense levels, filed Claims, and/or the Debtors' books and records, (ii) Intercompany Claims are based upon the intercompany accounts and notes reflected in the Debtors' books and records and Schedules as both may be adjusted from time to time, and (iii) all other Claims are based upon filed Claims, the books and records of the Debtors, and analyses performed by the Debtors and their professionals.

d. Estimated Range of Distributions. Using the asset and claims data described above, the Blackstone Model generates estimates regarding the range of recovery under a variety of fact patterns. The estimates set forth in the Disclosure Statement were calculated based on the global compromise incorporated into the Plan.

II. Introduction to Disclosure Statement

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

As noted above, this Disclosure Statement has not been approved by the Bankruptcy Court as containing adequate information. Accordingly, the information contained in this Disclosure Statement should not be relied on for any purpose.

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against the Debtors in connection with (i) the solicitation of acceptances of the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated [________, 2003], filed by the Debtors with the United States Bankruptcy Court for the Southern District of New York and (ii) the Confirmation Hearing scheduled for [__________, 2003], commencing at [__:__ _.m.] New York City Time.

On [_____________, 2003] the Bankruptcy Court, under section 1125 of the Bankruptcy Code, approved this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the solicited classes of Claims of the Debtors to make an informed judgment with respect to the acceptance or rejection of the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT EITHER OF THE FAIRNESS OR THE MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit 2: "Disclosure Statement Order" sets forth in detail, among other things, the deadlines, procedures, and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. The Temporary Allowance Procedures Order, a copy of which is annexed hereto as Exhibit 3: "Temporary Allowance Procedures Order", sets forth in detail the procedures for temporary allowance of claims for voting purposes. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order, the Ballot, and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

A. Purpose of this Disclosure Statement

The purpose of this Disclosure Statement is to provide the holders of Claims against the Debtors with adequate information to make an informed judgment about the Plan. This information includes, among other things, a brief history of the Debtors, a description of the Debtors' prepetition businesses, a description of the Debtors' prepetition assets and liabilities, a summary of the Debtors' Chapter 11 Cases, a summary of the distributions to be made under the Plan, and an explanation of the Plan mechanics.

B. Representations

This Disclosure Statement is intended for the sole use of Creditors and other parties in interest, and for the sole purpose of assisting those parties in making an informed decision about the Plan. Each Creditor is urged to review the Plan in full prior to voting on the Plan to ensure a complete understanding of the Plan and this Disclosure Statement.

No representations or other statements concerning the Debtors (particularly as to their future business operations or the value of their assets) are authorized by the Debtors other than those expressly set forth in this Disclosure Statement. Creditors should not rely upon any representations or inducements made to secure acceptance of the Plan other than those set forth in this Disclosure Statement.

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtors, their businesses and properties, and related financial information were prepared by the Debtors, from information furnished by the Debtors, or from publicly available information.

As explained in a November 8, 2001 Form 8-K filed by ENE with the SEC, the previously issued financial statements of ENE for the fiscal years ended December 31, 1997 through 2000 and for the first and second quarters of 2001 and the audit reports covering the year-end financial statements for 1997 through 2000 should not be relied upon. In addition, as explained in an April 22, 2002 Form 8-K filed by ENE, the financial statements of ENE for the third quarter of 2001 should not be relied upon.

This Disclosure Statement has not been approved or disapproved by the SEC; neither has the SEC passed upon the accuracy or adequacy of the statements contained herein.

This Disclosure Statement contains statements that are forward-looking. Forward-looking statements are statements of expectations, beliefs, plans, objectives, assumptions, projections, and future events or performance. Among other things, this Disclosure Statement contains forward-looking statements with respect to anticipated future performance of PGE, CrossCountry, and Prisma, as well as anticipated future determination of claims, distributions on claims, and liquidation of the Remaining Assets. These statements, estimates, and projections may or may not prove to be correct. Actual results could differ materially from those reflected in the forward-looking statements contained herein. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed. Such risks and uncertainties, include, without limitation: risks inherent in the Chapter 11 process, such as the non-confirmation of the Plan, non-occurrence or delayed occurrence of the Effective Date, or delayed distribution or non-distribution of Plan Securities. The uncertain outcomes of ongoing litigation and governmental investigations involving the Operating Entities and the Debtors, including those involving the U.S. Congress, DOJ, SEC, Office of Public Utility Counsel, EPA, and FERC; the effects of negative publicity on the Operating Entities' business opportunities; the effects of the departure of past and present employees of the Debtors; the uncertain resolution of SPE issues; the preliminary and uncertain nature of valuations and estimates contained in the Plan; financial and operating restrictions that may be imposed on an Operating Entity if ENE is required to register under PUHCA; potential environmental liabilities; increasing competition and operational hazards faced by the Debtors and Operating Entities; the potential lack of a trading market for the Plan Securities distributed to Creditors; uncertainties created by the lack of reported information for securities distributed to Creditors and the lack of independent operating history of the Operating Entities; economic, political, regulatory, and legal risks affecting the finances and operations of the Debtors and the Operating Entities; and, the uncertain timing, costs, and recovery values involved in the Debtors' efforts to recover accounts receivable and to liquidate the remaining assets. The Debtors, PGE, CrossCountry, Prisma, and the other Enron Companies undertake no obligation to update any forward-looking statement to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible to predict all such factors, nor can the impact of any such factor be assessed.

This Disclosure Statement summarizes the terms of the Plan, which summary is qualified in its entirety by reference to the full text of the Plan, and if any inconsistency exists between the terms and provisions of the Plan and this Disclosure Statement, then the terms and provisions of the Plan are controlling.

Unless otherwise specified, the statements contained in this Disclosure Statement are made as of the date of the Disclosure Statement and the delivery of this Disclosure Statement does not imply that there have been no changes in the information set forth herein after such date. The Debtors undertake no duty to update this information.

This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan, and nothing stated herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtors or any other party, or be deemed conclusive evidence of the tax or other legal effects of the plan on the Debtors or holders of Claims or Equity Interests.

All holders of Claims entitled to vote should carefully read and consider fully the risk factors set forth in Section XIV., "Risk Factors and Other Factors to be Considered" before voting to accept or reject the Plan.

Summaries of certain provisions of agreements referred to in this Disclosure Statement are not complete and are subject to, and are qualified in their entirety by reference to, the full text of the applicable agreement, including the definitions of terms contained in such agreement.

Holders of Claims entitled to vote should read this Disclosure Statement and the Plan carefully and in their entirety and may wish to consult with counsel prior to voting on the Plan.

C. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. For a detailed description of the treatment of Claims and Equity Interests under the Plan, refer to Section VI., "Summary of Debtors' Chapter 11 Plan".

Classes 1 and 2 of the Plan are unimpaired. As a result, holders of Claims in those Classes are conclusively presumed to have accepted the Plan and are not entitled to vote.

Classes 3 through 180, 183, 184, and 186 through 365 of the Plan are impaired and, to the extent Claims in such Classes are Allowed Claims, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan.

Class 185 of the Plan, consisting of Intercompany Claims, is presumed to have accepted the Plan and all holders of such Claims are proponents of the Plan. As a result, holders of Claims in Class 185 are not entitled to vote.

Classes 181, 182, and 366 through 375 of the Plan, consisting of certain holders of Claims and all holders of Equity Interests, are not expected to receive any distributions under the Plan. As a result, holders of Claims and Equity Interests in Classes 181, 182, and 366 through 375 are conclusively presumed to have rejected the Plan and are not entitled to vote.

Section 1126 of the Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Thus, acceptance of the Plan by Classes 3 through 180, 183, 184 and 186 through 365 will occur only if at least two-thirds in dollar amount and a majority in number of the holders of such Claims in each Class that cast their Ballots vote in favor of acceptance of the Plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. For a more detailed description of the requirements for confirmation of the Plan, refer to Section XIX., "Confirmation Of The Plan" for further information.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code or both. Section 1129(b) permits the confirmation of a chapter 11 plan notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, refer to Section XIX., "Confirmation Of The Plan" for further information.

In the event that a Class of Claims entitled to vote does not vote to accept the Plan, the Debtors' determination whether to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code will be announced prior to or at the Confirmation Hearing.

D. Submitting A Ballot

To determine whether you are entitled to vote on the Plan, refer to Section II.C., "Holders of Claims Entitled to Vote". If you are entitled to vote, you should carefully review this Disclosure Statement, including the attached exhibits and the instructions accompanying the Ballot. Then, indicate your acceptance or rejection of the Plan by voting for or against the Plan on the enclosed Ballot or Ballots and return the Ballot(s) in the postage-paid envelope provided. Refer to Section XVIII., "Voting Procedures", Exhibit 2: "Disclosure Statement Order", and Exhibit 3: "Temporary Allowance Procedures Order" for further information.

To be sure your Ballot is counted, your Ballot must be received by the Debtors' Solicitation Agent, [__________________________,] as instructed on your Ballot, no later than [__:___ _.m.] New York City Time on [__________, 2003]. Your Ballot will not be counted if received after this deadline. Refer to Section XVIII., "Voting Procedures" for further information.

If you must return your Ballot to your bank, broker, agent, or nominee, then you must return your Ballot to such bank, broker, agent, or nominee in sufficient time for them to process your Ballot and return it to the Debtors' Solicitation Agent before the deadline. Your Ballot will not be counted if received after this deadline. Refer to Section XVIII., "Voting Procedures" for further information.

DO NOT RETURN YOUR SECURITIES OR ANY OTHER DOCUMENTS WITH YOUR BALLOT.

It is important that Creditors exercise their right to vote to accept or reject the Plan. **Even if you do not vote to accept the Plan, you may be bound by it, if it is accepted by the requisite holders of Claims**. Refer to Section XIX., "Confirmation Of The Plan" for further information. The amount and number of votes required for confirmation of the Plan are computed on the basis of the total amount of Claims actually voting to accept or reject the Plan.

Your Claims may be classified in multiple classes, in which case you will receive a separate Ballot for each class of Claim. For detailed voting instructions and the names and addresses of the persons you may contact if you have questions regarding the voting procedures, refer to your Ballot or to Section XVIII., "Voting Procedures" for further information.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO THE DEBTORS' CREDITORS. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS AND URGE ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN TO ACCEPT THE PLAN.

E. Confirmation Hearing

Under section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled the Confirmation Hearing on [__________________, 2003] at [___:___ _.m. New York City Time], in Room 523 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York. The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before [_, 2003] at [___:___ _.m. New York City Time]. Refer to Section XIX.C., "Objections To Confirmation Of The Plan" for further information.

THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

III. General Prepetition Information

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Events Leading up to Chapter 11 Filing

From 1985 through mid-2001, the Enron Companies grew from a domestic natural gas pipeline company into a large global natural gas and power company. In the last quarter of 2001, the Enron Companies lost access to the capital markets, both debt and equity, and had insufficient liquidity and financial resources to satisfy their current financial obligations. Thereafter, on December 2, 2001, ENE and 13 subsidiaries filed voluntary chapter 11 petitions. Listed below are selected ENE and rating agency announcements during late 2001.

August 14	ENE announces the resignation of Jeffrey K. Skilling as ENE's President and CEO and the assumption of such duties by Chairman Kenneth L. Lay.
October 16	ENE reports a net loss for the third quarter 2001 of $618 million including non-recurring charges totaling $1.01 billion after-tax; non-recurring charges consisted of: $287 million related to asset impairments recorded by Azurix; $180 million associated with the restructuring of Broadband Services; and $544 million related to losses associated with certain investments.
	ENE holds a conference call on third quarter 2001 earnings and acknowledges a $1.2 billion equity reduction.
	Moody's announces ENE's Credit Rating is held at Baa1 (three notches above non-investment grade) but is placed on review for downgrade.
October 22	ENE announces it will cooperate fully with the SEC's request to provide information regarding certain related-party transactions.
October 24	ENE announces it has named Jeff McMahon as CFO and Andrew Fastow, previously ENE's CFO, will be on a leave of absence from ENE.
October 25	Fitch announces ENE's Credit Rating is held at BBB+ (three notches above non-investment grade) but is placed on negative watch.
	ENE announces it drew on its committed lines of credit to provide cash liquidity in excess of $1 billion.
October 29	Moody's announces ENE's Credit Rating is downgraded to Baa2 (two notches above non-investment grade) and is placed on review for downgrade.
October 31	ENE announces election of William C. Powers, Jr., Dean of The University of Texas School of Law, to the ENE Board of Directors and formation of the Powers Committee to examine and take any appropriate

actions with respect to transactions between ENE and entities connected to related parties.

ENE also reports that the SEC has opened a formal investigation into certain of the matters that were the subject of recent press reports and that previously were the subject of its informal inquiry.

November 1 — ENE announces that JPMCB and Salomon Smith Barney Inc., as co-arrangers, have executed commitment letters to provide $1 billion of secured credit lines supported by ENE's NNG and Transwestern assets.

S&P announces downgrade of ENE's Credit Rating to BBB (two notches above non-investment grade) with negative outlook.

November 5 — Fitch announces ENE's Credit Rating is downgraded to BBB- (Fitch's lowest investment grade rating) and is placed on negative watch.

November 8 — ENE announces the filing of a Form 8-K that provides information about:

- A required restatement of prior period financial statements to reflect the previously disclosed $1.2 billion reduction to shareholders' equity, as well as adjustments required, based on (then) current information, that certain off-balance sheet entities should have been included in ENE's consolidated financial statements;
- The restatement of its financial statements for 1997 through 2000 and the first two quarters of 2001;
- The accounting basis for the above-mentioned reduction to shareholders' equity;
- The special committee appointed by the ENE Board of Directors to review transactions between ENE and related parties;
- Information regarding the two LJM limited partnerships formed by ENE's then-CFO; and
- Transactions between ENE and certain other ENE employees.

November 9 — ENE and Dynegy announce the execution of the Merger Agreement and the $1.5 billion asset-backed equity infusion by Dynegy to ENE. Dynegy agreed to pay $1.5 billion to acquire preferred stock and other rights of an ENE subsidiary that owns NNG. In the event the merger is not completed, Dynegy will have the right to acquire 100% of the equity in the NNG subsidiary.

	Moody's announces downgrade of ENE's Credit Rating to Baa3 (Moody's lowest investment grade rating) and places Credit Rating on review for further downgrade.
	S&P announces downgrade of ENE's Credit Rating to BBB- (S&P's lowest investment grade rating) with negative outlook.
	Fitch announces ENE's Credit Rating is held at BBB- (Fitch's lowest investment grade rating) but is taken off of negative watch.
November 19	ENE announces that it has filed its third-quarter 2001 Form 10-Q, which provides further information on third quarter earnings adjustments and other issues and outlines a restructuring plan. The Form 10-Q also included additional detailed information regarding ENE's then current liquidity and upcoming maturities of debt and other obligations (including a $690 million note payable that will become a demand obligation on November 27, 2001 due to the recent downgrade by S&P and $3.9 billion in facilities that could be accelerated due to stock price and ratings triggers).
November 21	ENE announces that it is in active discussions with its primary lenders on a restructuring of its debt obligations to further enhance liquidity.
November 28	ENE announces it has received a notice from Dynegy that, effective immediately, it is terminating the Merger Agreement.
	ENE also announces that S&P, Moody's, and Fitch have downgraded ENE's Credit Rating to below investment grade.
	Moody's announces ENE's Credit Rating is downgraded to B2 (five notches below investment grade) and is placed on review for downgrade.
	S&P announces ENE's Credit Rating is downgraded to B- (six notches below investment grade) and is placed on negative outlook.
	Fitch announces ENE's Credit Rating is downgraded to CC (eight notches below investment grade) and is placed on negative watch.
November 30	S&P announces ENE's Credit Rating is downgraded to CC (eight notches below investment grade) with negative outlook.
December 2	ENE announces that it, along with certain of its subsidiaries, have filed voluntary petitions for chapter 11 reorganization with the U. S. Bankruptcy Court for the Southern District of New York.

Refer to "Related Documents" at http://www.enron.com/corp/por/ for the public filings referenced above, as well as certain reports prepared by the ENE Examiner, the Powers Committee, and various government agencies and committees.

B. Prepetition Business Activities

1. General. Headquartered in Houston, Texas, the Enron Companies historically provided products and services related to natural gas, electricity, and communications to wholesale and retail customers. As of the Initial Petition Date, the Enron Companies employed approximately 32,000 individuals worldwide. The Enron Companies were principally engaged in (a) the marketing of natural gas, electricity and other commodities, and related risk management and finance services worldwide, (b) the delivery and management of energy commodities and capabilities to end-use retail customers in the industrial and commercial business sectors, (c) the generation, transmission, and distribution of electricity to markets in the northwestern United States, (d) the transportation of natural gas through pipelines to markets throughout the United States, and (e) the development, construction, and operation of power plants, pipelines, and other energy-related assets worldwide. Many of the Enron Companies that are operating companies have not filed bankruptcy petitions and continue to operate their businesses.

Set forth below is a brief description of various categories of major businesses of the Enron Companies existing as of the Initial Petition Date. Although the Debtors' prepetition business activities can be summarized in a discussion of these businesses, each of the businesses included numerous separate legal entities. Any reference to a business should be construed as a reference to the separate legal entities that comprise such business.

2. Wholesale Services. As of the Initial Petition Date, Wholesale Services encompassed the global wholesale business related to natural gas, power, LNG, metals, coal, crude and liquids, weather, forest products, steel, and other commodities.[6] This business also included EnronOnline®, an e-commerce site for global commodity transactions. The Enron Companies built their wholesale businesses through asset ownership, contractual access to third-party assets, and market-making activities.

The activities of these businesses can be categorized into two business lines: (i) commodity sales and services and (ii) assets and investments.

a. Commodity Sales and Services. The businesses included in the Wholesale Services segment provided physical commodity and price risk management services to their customers through forward and other contracts. In late 1999, Wholesale Services launched an internet-based e-commerce system, EnronOnline®, which allowed wholesale customers to view Wholesale Services' real-time pricing and complete commodity transactions with the relevant Enron Company trading in the particular commodity or product, as principal, with no direct interaction.

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[6] In addition to certain non-Debtor affiliates, Wholesale Services included the following Debtors: ENA, EPMI, EMCC, ENA Upstream, ENA Asset Holdings, BAM, Palm Beach, ENGMC, Intratex, EGLI, EGM, EIM, Garden State, EFM, LNG Marketing, Calypso, Global LNG, EIFM, ELFI, LNG Shipping, ECTRIC, NETCO, ERAC, EBF LLC, EFII, ENW, Calcasieu Development, Calvert City Power, RMTC, ECTMI, EnronOnline, LLC, LOA, St. Charles Development, TLS, OEC, EEOSC, Ventures, NEPCO, EPICC, NEPCO Power Procurement, NEPCO Services International, LINGTEC, EGSNVC, LGMC, LRC, LGMI, LRCI, Enron ACS, KUCC Cleburne, ECT Securities Limited Partnership, ECT Securities LP, ECT Securities GP, Richmond Power, and ECTSVC.

b. Assets and Investments. Wholesale Services entered into, managed, and/or operated numerous investments and various physical and financial assets related to the energy industry, as well as physical assets in the paper and steel industries. As of the Initial Petition Date, these activities included (i) development of power generation facilities, (ii) investment in intrastate gas pipelines, natural gas compression, NGL and LNG operations, (iii) equity and debt financing to third parties for the exploration and development of oil, gas, and coal reserves, and (iv) investment in paper and steel processing facilities.

3. Retail Services. As of the Initial Petition Date, Retail Services extended ENE's energy expertise and capabilities to energy end-users in the industrial and commercial business sectors.[7] The Retail Services businesses provided energy end-users in the United States and Europe with a broad range of energy products and services, including sales of natural gas, electricity, liquids and other commodities, and the provision of energy management services, such as energy tariff and information services, energy outsourcing, demand-side management services, and price risk management services.

4. Electricity Transmission and Distribution Operations. The only domestic electric utility operation conducted as of the Initial Petition Date by the Enron Companies was, and continues to be, the business conducted by PGE, a wholly owned, non-Debtor subsidiary of ENE. PGE is engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. PGE also sells wholesale electric energy to utilities, brokers, and power marketers located throughout the western United States. As of December 31, 2002, PGE served approximately 743,000 retail customers. Refer to Section VIII., "Portland General Electric Company" for further information.

5. Natural Gas Pipelines. As of the Initial Petition Date, the natural gas pipelines business operated one of the largest gas transmission systems in the United States spanning approximately 42,000 miles.[8] ENE and its subsidiaries operated domestic interstate natural gas pipelines extending from Texas to the Canadian border and across the southern United States from Florida to California. Included in the Enron Companies' domestic interstate natural gas pipeline operations were Transwestern, Citrus, Northern Plains, and NNG, each of which is briefly described below. Refer to Section IX., "CrossCountry Energy Corp." for further information about Transwestern, Citrus and Northern Plains. NNG was sold in February 2002; refer to Section IV.B.5., "Asset Sales" for further information.

a. Transwestern Pipeline Company. Transwestern, a non-Debtor, is an interstate pipeline engaged in the transportation of natural gas. Transwestern is subject to regulation by FERC. Through its approximately 2,600-mile pipeline system, Transwestern

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7 In addition to certain non-Debtor affiliates, Retail Services included the following Debtors: EES, EESO, EESNA, EESOMI, EEIS, EEMC, EESI, EFSI, EFS-CMS, TSI, EESSH, Artemis, ServiceCo, CEMS, Omicron, EFS I, EFS II, EFS III, EFS IV, EFS V, EFS VI, EFS VII, EFS IX, EFS X, EFS XI, EFS XII, EFS XIII, EFS XV, EFS XVII, Jovinole, and EFS Holdings.

8 In addition to certain non-Debtor affiliates, natural gas pipelines included the following Debtors: ETS, EPPI, EAMR, EMMS, EOS, EPCSC, Pipeline Services, ETPC, Transwestern Gathering, Enron Gathering, EGP, ELSC, EPGI, Alligator Alley, Methanol, and EPC.

transports natural gas from western Texas, Oklahoma, eastern New Mexico, and the San Juan Basin in northwestern New Mexico and southern Colorado primarily to the California market and secondarily to markets off the east end of its system.

b. Citrus. Citrus, a non-Debtor that is 50% owned by ENE, owns primarily a FERC-regulated interstate pipeline company, Florida Gas. This pipeline company transports natural gas for third parties through a pipeline that extends from south Texas to south Florida.

c. Northern Plains. Northern Plains, a non-Debtor, either directly or through a subsidiary, holds a general partner interest of approximately 1.65%, and a limited partner interest of approximately 1.06%, in Northern Border Partners. Northern Border Partners owns a 70% interest in an approximately 1,249-mile interstate pipeline system that transports natural gas from the Montana-Saskatchewan border near Port of Morgan, Montana to interconnecting pipelines and local distribution systems in the states of North Dakota, South Dakota, Minnesota, Iowa, and Illinois. Northern Border Partners owns two additional interstate pipelines and partnership interests in other energy assets.

d. NNG. NNG was an interstate pipeline engaged in the transportation of natural gas. NNG was subject to regulation by FERC. Through its approximately 16,500-mile pipeline system, NNG transported natural gas from the Permian Basin in Texas to the Great Lakes as well as in other markets in the production areas of Colorado, Kansas, New Mexico, Oklahoma, Texas, and North Dakota.

6. Global Assets. As of the Initial Petition Date, Global Assets included energy-related assets throughout the world that are not included in the Wholesale or Retail businesses, including, but not limited to, assets in the United States, Brazil, and India.[9] Global Assets managed most of the Enron Companies' energy assets and operations (power plants, pipelines, and distribution companies) outside of North America and Europe. As of the Initial Petition Date, these operations existed in approximately 18 countries and territories across the globe, primarily in developing markets. Refer to Section X., "Prisma Energy International Inc." for further information regarding certain of these assets.

Global Assets also included (i) ENE's investment in Azurix, a global water company engaged in the business of owning, operating and managing water and wastewater assets, providing water- and wastewater- related services and developing and managing water resources and (ii) Wind, which, together with its subsidiaries, was an integrated manufacturer and developer of wind power, providing power plant design and engineering, project development, and operations and maintenance services.[10]

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9 In addition to certain non-Debtor affiliates, Global Assets included the following Debtors: Enron Mauritius, India Holdings, OPP, San Juan Gas, E Power Holdings, Expat Services, ENIL, EI, EINT, EMDE, EIAM, EBPHXI, EHC, EDM, EIKH, ECHVI, EIAC, EBPIXI, Paulista, ECFL, EDFL, ACFI, TPC, APACHI, EDC, ETP, NSH, Enron South America, EGPP, and Enron Caribbean.

10 In addition to certain non-Debtor affiliates, the Wind business group included the following Debtors: Wind, Wind Constructors, Wind Development, Wind Maintenance, EWESC, Wind Systems, Cabazon Power, Cabazon Holdings, and Victory Garden.

7. Broadband Services. Broadband Services' businesses included the provision of (i) bandwidth management and intermediation services and (ii) content delivery services. During 2000, Broadband Services continued its work on establishing the EIN, a high-capacity, global fiber optic network. At December 31, 2000, Broadband Services had started trading contracts in multiple bandwidth products and had signed service agreements with several content providers. However, ultimately, Broadband Services was unable to fulfill its business goals and, in 2001, it began to wind down its business affairs.[11]

C. Debtors' Prepetition Credit Facilities

1. ENE Credit Facilities. Prior to the Initial Petition Date, ENE maintained several term and revolving credit facilities. The facilities include the following:

a. $1.75 billion 364-day senior unsecured committed revolving credit facility for general corporate purposes including commercial paper backstop. Citibank and JPMCB were Co-Administrative Agents. The facility closed on May 14, 2001. The facility was fully drawn in October 2001.

b. $1.25 billion long-term senior unsecured committed revolving credit facility for general corporate purposes including commercial paper backstop. Citibank and JPMCB were Co-Administrative Agents. The facility closed on May 18, 2000. The facility was fully drawn in October 2001.

c. $12 million 13-month term credit facility for general corporate purposes. Toronto-Dominion (Texas) Inc. was the Agent. The facility closed on December 14, 2000. Toronto-Dominion (Texas) Inc. resigned as Agent in December 2001.

d. $100 million revolving Promissory Note between ENE, as borrower, and The Toronto-Dominion Bank, as lender, dated November 15, 1993. At the Initial Petition Date, the outstanding principal balance under this note was $55 million.

e. $100 million revolving Promissory Note between ENE, as borrower, and Barclays Bank PLC, as lender, dated March 15, 1991. At the Initial Petition Date, the outstanding principal balance under this note was $15 million.

2. Pipeline Credit Facilities. Two ENE non-Debtor subsidiaries entered into corporate revolvers during the fourth quarter of 2001 with a total commitment of $1.0 billion for general corporate purposes. The facilities include the following:

a. Transwestern Pipeline Company. Transwestern had a $550 million 364-day senior secured committed revolving credit facility. The facility was secured by substantially all of the assets of Transwestern. ENE was the guarantor of the facility. Citicorp North America, Inc. and JPMCB were Co-Administrative Agents. The facility closed on November

[11] In addition to certain non-Debtor affiliates, Broadband Services included the following Debtors: EBS, EBS LP, Communications Leasing, ECI Nevada, ECI Texas, Enrock, Enrock Management, ECG, WarpSpeed, DSG, Modulus, and ETI.

13, 2001, has been extended through November 6, 2003 and has been converted to a term loan. The facility was fully drawn on the closing. Refer to Section XIV.H., "CrossCountry" for further information.

b. Northern Natural Gas Company. NNG had a $450 million 364-day senior secured committed revolving credit facility. The facility was secured by substantially all of the assets of the borrower. ENE was the guarantor for the facility. Citicorp North America, Inc. and JPMCB were Co-Administrative Agents. The facility closed on November 19, 2001. The facility was fully drawn on the closing. As part of the transfer of NNG to Dynegy, the ENE guaranty was later released. Refer to Section IV.B.4.b., "Dynegy Merger Agreement, Related Litigation, and Settlement" for further information.

3. Letter of Credit Facilities. Prior to the Initial Petition Date, ENE maintained two syndicated committed letter of credit facilities, and obtained numerous letters of credit from various financial institutions under non-committed reimbursement agreements.

a. Trade Finance and Reimbursement Agreement dated as of September 10, 2001 among ENE, the banks named therein and West LB as Issuing Bank in the amount of $245 million. There were approximately $166 million in outstanding letters of credit as of the Initial Petition Date.

b. Letter of Credit and Reimbursement Agreement dated as of May 14, 2001 among ENE, the banks named therein and JPMCB as Issuing Bank in the amount of $500 million. There were approximately $290 million in outstanding letters of credit as of the Initial Petition Date.

c. In addition to the letters of credit referred to above, there were various letters of credit issued for the benefit of ENE in the notional amount of approximately $651 million as of the Initial Petition Date.

4. San Juan Gas Credit Facility. SJGC had a $20 million 364-day revolving credit facility. Banco Bilbao Vizcaya Argentaria Puerto Rico was the Administrative Agent. ENE was the guarantor of the facility. At the Petition Date, the outstanding principal amount due under the credit facility was $14.4 million.

D. Debtors' Prepetition Debt Securities

Unless otherwise noted, as of the Petition Date, the following debt securities of the Debtors were outstanding:

Name of Trustee / Payee / Principal Obligee (as of July 31, 2003)	Instrument/CUSIP or ISIN	Amount Outstanding as of the Petition Date (unless otherwise noted)	Debtor
The Bank of New York, as Trustee	7.00% Exchangeable Note Payable due 07/31/02 (293561882)	$342,515,936.12[12]	ENE
Wells Fargo Bank, as Trustee	9.125% Note Payable due 04/01/03 (293561AQ9)	$190,856,046	ENE
Wells Fargo Bank, as Trustee	9.875% Note Payable due 06/15/03 (293561AF3)	$104,580,903	ENE
Wells Fargo Bank, as Trustee	7.875% Note Payable due 06/15/03 (293561CB0)	$336,872,656	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	Floating Rate Notes due 06/18/03 (XS0130764649)	$324,660,097	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.77% Bond due 06/18/03 (XS0130765026)	$81,334,720	ENE
Wells Fargo Bank, as Trustee	6.625% Note Payable due 10/15/03 (293561BN5)	$72,269,723	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.97% Bond due 06/18/04 (XS0130823593)	$81,408,566	ENE
Wells Fargo Bank, as Trustee	7.625% Note Payable due 09/10/04 (293561AR7)	$191,351,671	ENE
Wells Fargo Bank, as Trustee	6.75% Note Payable due 09/01/04 (293561AY2)	$86,323,180	ENE
Wells Fargo Bank, as Trustee	6.75% Senior Notes due 09/15/04 (293561BM7)	$40,577,500	ENE
Wells Fargo Bank, Minnesota, N.A. as Trustee	4.375% Bond due 04/08/05 (XS0096366686)	$368,604,875	ENE
Wells Fargo Bank, as Trustee	8.375% Note Payable due 05/23/05 (29357WAA5)	$175,366,406	ENE
Wells Fargo Bank, as Trustee	6.75% Senior Subordinate Debentures due 07/01/05 (293561AT3)	$164,123,200	ENE
Wells Fargo Bank, as Trustee	6.625% Note Payable due 11/15/05 (293561BS4)	$250,782,118	ENE
Wells Fargo Bank, Minnesota, N.A. as Registrar and Agent Trustee, Paying Agent	9.625% Note Payable due 03/15/06 (460575AR4)	$172,370,780	ENE
Wells Fargo Bank, as Trustee	6.40% Note Payable due 07/15/06 (293561BT2)	$239,729,931	ENE
Wells Fargo Bank, as Trustee	7.125% Senior Notes due 05/15/07 (293561AX4)	$149,501,323	ENE

12 The Bank of New York, as Trustee for the 7.00% Exchangeable Note Payable due 7/31/02, as well as certain of the noteholders, has indicated its disagreement with the amount listed. The Debtors are continuing to analyze these issues.

Name of Trustee / Payee / Principal Obligee (as of July 31, 2003)	Instrument/CUSIP or ISIN	Amount Outstanding as of the Petition Date (unless otherwise noted)	Debtor
Wells Fargo Bank, as Trustee	6.875% Note Payable due 10/15/07 (293561AZ9)	$89,798,837	ENE
Wells Fargo Bank, as Trustee	6.725% Note Payable due 11/15/08 (293561BP0)	$200,635,139	ENE
Wells Fargo Bank, as Trustee	6.75% Note Payable due 08/01/09 (293561BA3)	$182,549,719	ENE
Wells Fargo Bank, as Trustee	8.25% Senior Subordinate Debentures due 09/15/12 (293561AS5)	$104,563,109	ENE
Wells Fargo Bank, as Trustee	7.375% Note Payable due 05/15/19 (293561BX3)	$385,658,448	ENE
Wells Fargo Bank, Minnesota, N.A. as Trustee	Convertible Senior Note due 2021 (293561CC8/293561CD6)	$1,271,856,649	ENE
Wells Fargo Bank, as Trustee	7.00% Senior Debentures due 08/15/23 (293561AU0)	$17,155,658	ENE
Wells Fargo Bank, as Trustee	6.95% Note Payable due 07/15/28 (293561BW5)	$200,456,176	ENE
Wells Fargo Bank, as Trustee	6.95% Note Payable due 07/15/28 (293561BU9)	$184,707,191	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.52% Bond due 05/15/02 (XS0129515077)	$203,196,763	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.493% Bond due 06/13/02 (XS0131599044)	$162,447,128	ENE
Wells Fargo Bank, as Trustee	6.50% Note Payable due 08/01/02 (293561BL9)	$153,277,083	ENE
JPMorgan Chase, as Issuing and Paying Agent	Enron Corp. Commercial Paper Program (29356AYW0)	$4,340,743.75	ENE
National City Bank, as Trustee	7.75% Subordinated Debentures due 2016	$184,275,878	ENE
National City Bank, as Trustee	7.75% Subordinated Debentures due 2016, Series II	$138,218,479	ENE
National City Bank, as Trustee	7.75% Debentures due 2016	$29,483,978	ENA
National City Bank, as Trustee	7.75% Debentures due 2016	$29,483,978	ETS
National City Bank, as Trustee	Subordinated Guaranty of 7.75% Debentures due 2016	$29,483,978	ENE
National City Bank, as Trustee	Subordinated Guaranty of 7.75% Debentures due 2016	$29,483,978	ENE
National City Bank, as Trustee	7.75% Debentures due 2016, Series II	$22,118,048	ENA
National City Bank, as Trustee	7.75% Debentures due 2016, Series II	$22,118,048	ETS

Name of Trustee / Payee / Principal Obligee (as of July 31, 2003)	Instrument/CUSIP or ISIN	Amount Outstanding as of the Petition Date (unless otherwise noted)	Debtor
National City Bank, as Trustee	Subordinated Guaranty of 7.75% Debentures due 2016 Series II	$22,118,048	ENE
National City Bank, as Trustee	Subordinated Guaranty of 7.75% Debentures due 2016 Series II	$22,118,048	ENE

E. Capital Structure

1. Preferred Stock. ENE authorized a total of 16.5 million shares of preferred stock. The preferred stock ranks in preference to the common stock as to distribution of assets of ENE upon the liquidation, dissolution, or winding up of ENE. As of the Initial Petition Date, ENE had four series of preferred stock outstanding:

a. 9.142% Perpetual Second Preferred Stock. An aggregate of 35.568509 shares of ENE preferred stock is designated the 9.142% Perpetual Second Preferred Stock. The 9.142% Perpetual Preferred Stock ranks *pari passu* with the Cumulative Second Preferred Stock and senior to the Mandatorily Convertible Series B Stock and Mandatorily Convertible Series C Stock. As of the Initial Petition Date, 35.568509 shares of 9.142% Perpetual Second Preferred Stock were issued and outstanding. All shares of 9.142% Perpetual Second Preferred Stock are held by Enron Equity. Refer to Section III.F.21., "Enron Equity Corp." for further information.

b. Cumulative Second Preferred Convertible Stock. An aggregate of 1.37 million shares of ENE preferred stock is designated the Cumulative Second Preferred Convertible Stock. The Cumulative Second Preferred Stock ranks *pari passu* with the 9.142% Perpetual Preferred Stock and senior to the Mandatorily Convertible Series B Stock and Mandatorily Convertible Series C Stock. As of the Initial Petition Date, 1,137,991 shares of Cumulative Second Preferred Convertible Stock were issued and outstanding. Pursuant to its terms, each share is convertible to a certain number of shares of ENE common stock.

c. Mandatorily Convertible Junior Preferred Stock, Series B. An aggregate of 250,000 shares of ENE preferred stock is designated the Mandatorily Convertible Junior Preferred Stock, Series B. The Mandatorily Convertible Series B Stock ranks junior to the 9.142% Perpetual Preferred Stock and the Cumulative Second Preferred Stock and senior to the Mandatorily Convertible Series C Stock. As of the Initial Petition Date, 250,000 shares of Mandatorily Convertible Junior Preferred Stock, Series B were issued and outstanding. All shares of Mandatorily Convertible Junior Preferred Stock, Series B are held by Condor, which is part of the Osprey/Whitewing financing structure. Refer to Section III.F.41., "Osprey/Whitewing" for further information. Pursuant to its terms, each share is convertible to a certain number of shares of ENE common stock.

d. Mandatorily Convertible Single Reset Preferred Stock, Series C. An aggregate of 182,908 shares of ENE preferred stock is designated the Mandatorily Convertible Single Reset Preferred Stock, Series C. The Mandatorily Convertible Series C Stock ranks junior to the 9.142% Perpetual Preferred Stock, the Cumulative Second Preferred Stock and the

Mandatorily Convertible Series B Stock. As of the Initial Petition Date, 182,908 shares of Mandatorily Convertible Single Reset Preferred Stock, Series C were issued and outstanding. All shares of Mandatorily Convertible Single Reset Preferred Stock, Series C are held by Preferred Voting Trust, which is part of the Marlin financing structure. Refer to Section III.F.36., "Marlin" for further information. Pursuant to its terms, each share is convertible to a certain number of shares of ENE common stock.

2. **Common Stock.** ENE authorized 1.2 billion shares of no par common stock. As of December 5, 2001, 764,361,414 shares of common stock were issued and outstanding, and 14,503,586 shares were issued and held as treasury stock by ENE. In the event of liquidation, dissolution, or winding up of ENE, the holders of ENE common stock are entitled to share ratably in all assets of ENE remaining after provision for payment of liabilities and satisfaction of the liquidation preference of any shares of ENE preferred stock that may be outstanding. The holders of ENE common stock have no preemptive, subscription, redemption, or conversion rights. The rights, preferences, and privileges of holders of ENE common stock are subject to those holders of ENE preferred stock.

3. **Stock Plans.** ENE had four Stock Plans under which options for shares of ENE's common stock have been or could have been granted to officers, employees and non-employee members of the board of directors. The Stock Plans allowed for grants of either incentive stock options or nonqualified stock options. Under three of the Stock Plans, options were not allowed to be granted at less than the fair market value of a share on the date of the grant. Under the 1999 stock plan, however, options were granted at an exercise price designated by the Compensation Committee of the Board. Under the Stock Plans, ENE could grant options with a maximum term of 10 years. Options vested under varying schedules. As of October 31, 2001, options were outstanding on approximately 86.5 million common stock shares. Currently, there is no expectation that any of these options will be exercised.

F. Debtors' Financing Transactions

Prior to the Initial Petition Date, as part of their business and to raise funds for a variety of purposes, the Enron Companies entered into a number of on- and off-balance sheet financing transactions. Certain of those transactions involved the creation of special purpose entities or structures. As of the Initial Petition Date, the Enron Companies had approximately fifty ongoing financing transactions with various lending institutions and other investors.

Approximately $2.8 billion to $3.3 billion in assets are associated with these financing transactions. The majority of this value is associated with the Osprey/Whitewing, Rawhide, and Cerberus transactions. Significant assets are described below in the individual summaries. It is important to note that there is no guarantee that any value from these assets will inure to the benefit of the Debtors' estates. Additionally, there are significant liabilities associated with the financing transactions and several billion dollars in claims have been filed against the Debtors in connection therewith.

Complete or partial settlements relating to nine of the transactions have been addressed in the Plan or approved by the Bankruptcy Court since the Initial Petition Date. A description of each of the settlements is included with the individual transaction summary below.

Settlement negotiations are ongoing with respect to several of the other transactions; however, there can be no assurance that these negotiations will result in value to the Debtors or a reduction in claims against the Debtors.

On April 8, 2002, the Bankruptcy Court entered an order appointing the ENE Examiner to investigate the ongoing transactions, as well as many transactions that had been unwound or otherwise completed prior to the Initial Petition Date. Refer to Section IV.A.4.b., "ENE Examiner." for further information The ENE Examiner has filed a series of reports wherein he reported and commented upon these transactions.

In addition, many of the financing transactions have been the subject of various Congressional committee reports and/or widely discussed in the media. Refer to "Related Documents" at http://www.enron.com/corp/por/ for further information.

Further information regarding the financing transactions can be found in the following reports, which identify the factual and legal conclusions of the authors of those reports based upon their respective investigations: the ENE Examiner reports, the reports of Congressional committees, the Powers Report, and any other reports issued by third parties.

The following provides a general description of the Debtors' significant financing transactions as of the Initial Petition Date. Many of these ongoing transactions have been, are currently, or may in the future be the subject of litigation. That litigation may or may not involve the Debtors. The summaries below, which are based on the Debtors' perspective and which are subject to further review, elaboration, or modification, are included for informational purposes only. Given the potential for litigation involving some of these transactions, it should be noted that the lenders, investors, and other parties involved in the transactions (as well as the ENE Examiner, governmental bodies, and other third parties who have reviewed these transactions) may dispute all or part of these descriptions.

1. Al Rajhi

a. Legal Structure. In July 2001, EMC sold $100 million of warrants to purchase commodities in the future on the London Metal Exchange to Man Group Finance Ltd., an entity unaffiliated with the Enron Companies, which, in turn, sold the warrants to Al Rajhi. Contemporaneously therewith, EMCC agreed to purchase the warrants from Al Rajhi for $102 million with 169-day payment terms. ENE guaranteed its affiliates' obligations under the applicable transaction documents.

b. Significant Potential Liabilities of Debtors. Al Rajhi potentially has a claim against ENE as guarantor of EMC's and EMCC's obligations.

2. Apache/Choctaw

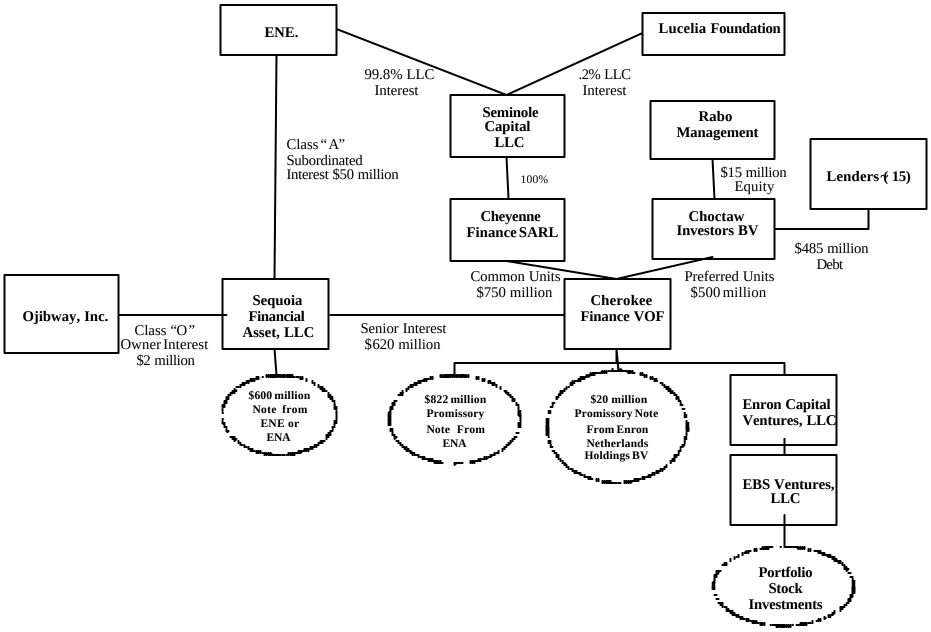
a. Legal Structure. Project Apache was a minority investment financing. In 1999, Sequoia was formed as a FASIT to securitize 30-day receivables of ENE, ENA, and EPMI and to issue securities backed by those receivables, cash, and short-term commercial paper issued by ENA and ENE. ENE purchased a $50 million Class A subordinated interest in

Sequoia. Ojibway, an unrelated party, purchased a $2 million Class O interest in Sequoia. Refer to Section III.F.51., "Zephyrus/Tammy" for further information.

Cheyenne and a bank group led by Rabo Merchant Bank N.V. formed Cherokee to purchase $1.23 billion in FASIT securities from Sequoia. ENE, through Seminole and Cheyenne, invested $750 million in Cherokee and received $750 million of Cherokee common units. The bank group invested $500 million in Cherokee through Choctaw, with Choctaw receiving $500 million of Cherokee preferred units.

In October 2002, Choctaw purported to exercise its right to take control of the management of Cherokee.

b. Structure Diagram as of Initial Petition Date.



ENE.
Lucelia Foundation
99.8% LLC Interest
.2% LLC Interest
Seminole Capital LLC
Rabo Management
Class "A" Subordinated Interest $50 million
100%
$15 million Equity
Lenders (15)
Cheyenne Finance SARL
Choctaw Investors BV
$485 million Debt
Common Units $750 million
Preferred Units $500 million
Ojibway, Inc.
Sequoia Financial Asset, LLC
Cherokee Finance VOF
Class "O" Owner Interest $2 million
Senior Interest $620 million
$600 million Note from ENE or ENA
$822 million Promissory Note From ENA
$20 million Promissory Note From Enron Netherlands Holdings BV
Enron Capital Ventures, LLC
EBS Ventures, LLC
Portfolio Stock Investments

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Cherokee's assets included (a) $620 million of notes from Sequoia, (b) $822 million note receivable from ENA, (c) $20 million note receivable from ENHBV, and (d) 100% equity in Enron Capital Ventures, LLC with underlying assets valued at $3.6 million.

d. Significant Potential Liabilities of the Structure. Cherokee issued a preferred interest to Choctaw totaling $500 million, which is in default.

e. Significant Potential Liabilities of Debtors. ENA's payment obligations under the $822 million note and ENE's guaranty of such obligation. Refer to Section IV.C.1.d., "Litigation Related to Structures" for further information.

3. Backbone

a. Legal Structure. Backbone 1 was created under the Backbone 1 Agreement with Wilmington as owner trustee, ABN as the certificate holder of the class A beneficial interests and Backbone 2 as the certificate holder of the class B beneficial interests. Backbone 1 was created, among other things, to (i) acquire dark fiber IRUs (which interests were acquired by Backbone 1 from LJM2 pursuant to an assignment and assumption agreement; refer to Section III.G., "Related Party Transactions" for further information), and (ii) enter into the Backbone A Loan. The beneficial interest certificates issued in respect of the Class A and Class B interests were in the amount of $3.6 million for the Class A certificate and $64,532,090 for the B certificate.

Backbone 2 was created under the Backbone 2 Agreement with Wilmington acting as owner trustee and BSCS XXIII, Inc. as beneficial interest holder. The beneficial interest certificate has an aggregate value of $1,000. Backbone 2 was created, among other things, to (i) enter into the Backbone B Loan, and (ii) acquire the Class B certificate interest in Backbone 1 with the proceeds from the Backbone B Loan.

Backbone 1 entered into, and drew down on the Backbone A Loan with certain banks, including Fleet as syndication agent and co-arranger, and ABN as administrative agent, sole lead arranger and book runner. The A Loan was unsecured and issued in the aggregate principal amount of $46.7 million, which amount was split 50/50 between ABN and Fleet. The A Loan was paid in full on January 19, 2001.

Backbone 2 entered into, and drew down on the Backbone B Loan with certain banks, including Fleet as syndication agent and co-arranger, and ABN as administrative agent, sole lead arranger and book runner. The B Loan is secured by a security interest in Backbone 2's Class B beneficial interest in Backbone 1, and issued in the aggregate principal amount of $64,531,090 which amount was split 50/50 between ABN and Fleet. At the Initial Petition Date, Backbone 2 owed approximately $45.6 million under the Backbone B Loan.

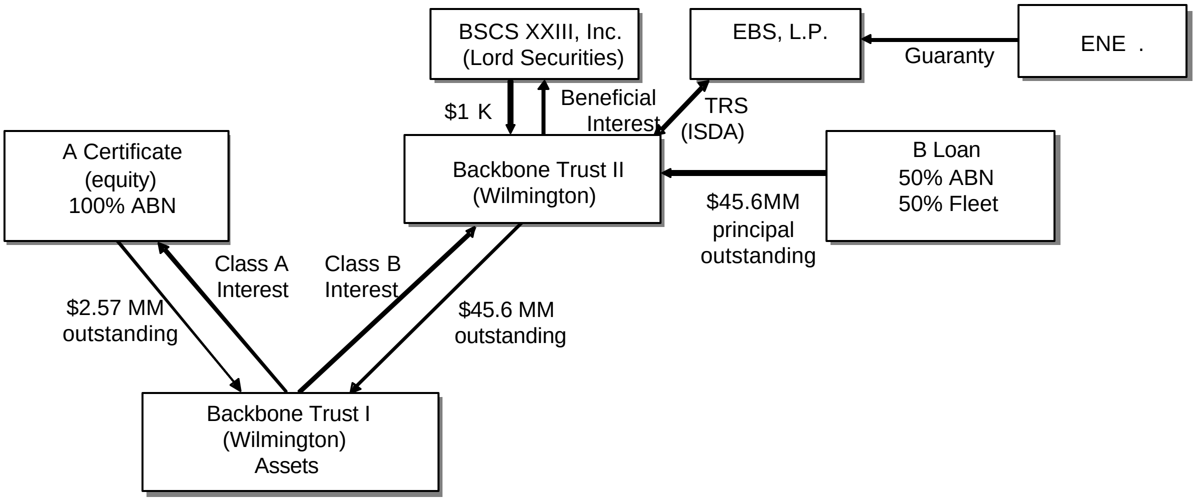
Backbone 2 entered into a total return swap with EBS LP pursuant to which Backbone 2 passed through as a fixed payment all monies paid by the Backbone 1 Class B certificate in return for EBS LP's payment of a floating amount equal to amounts due under the B Loan.

As part of the transaction, ENE entered into a performance guarantee in favor of Backbone 2 pursuant to which ENE guaranteed EBS LP's obligations under the total return swap.

On December 21, 2000, LJM-B2 and Backbone 1 entered into an Assignment of IRU Agreement pursuant to which LJM-B2 conveyed to Backbone 1 in exchange for $86,182,810 from Backbone 1, all of LJM-B2's interest in that certain IRU Agreement dated June 30, 2000, as amended, by and among LJM-B2 and EBS. Backbone 1 also paid LJM-B2 $27,248,280 for the rights to a pending sales agreement for certain of the IRUs.

EBS and Backbone 1 then restated their respective rights with respect to the IRUs in an Amended and Restated IRU Agreement.

b. **Structure Diagram as of Initial Petition Date.**



BSCS XXIII, Inc.
(Lord Securities)
EBS, L.P.
ENE .
Guaranty
$1 K
Beneficial
Interest
TRS
(ISDA)
A Certificate
(equity)
100% ABN
Backbone Trust II
(Wilmington)
B Loan
50% ABN
50% Fleet
$45.6MM
principal
outstanding
Class A
Interest
Class B
Interest
$2.57 MM
outstanding
$45.6 MM
outstanding
Backbone Trust I
(Wilmington)
Assets

c. **Significant Assets Associated with the Structure.** During 2000 and 2001, all IRUs in Backbone 1 were sold. At the Initial Petition Date, the assets of Backbone 1 included a demand note from ENE in the approximate amount of $1.4 million and a letter of credit issued by BoA ensuring the payment of a note issued by a third-party purchaser of certain IRUs. In 2002, the letter of credit was drawn by Backbone 1, and, pursuant to a stipulation and order filed with the Bankruptcy Court, ABN and Fleet withdrew the cash proceeds from Backbone 1 and issued letters of credit for the benefit of ENE and its affiliated Debtors. ENE and its affiliated Debtors can draw upon the letters of credit upon settlement of, or successful contest to, the Backbone transaction. Unless contest proceedings have been initiated, the letters of credit will terminate on or about November 13, 2003.

d. **Significant Potential Liabilities of the Structure.** Backbone 2 owes approximately $45.6 million to ABN and Fleet under the Backbone B Loan.

e. **Significant Potential Liabilities of Debtors.** EBS LP and ENE, as guarantor, may be obligated under the terms of the total return swap.

4. **Bammel/Triple Lutz**

a. **Legal Structure**. Three transactions comprise the Bammel Gas structure:

(i) **Bammel Gas Trust Transaction (December 1997)**. Pursuant to this transaction HPL and HPLR (x) conveyed 80 million MMBtus of storage gas to BGT, an entity held by Sundance and BoA,[13] for $232 million and (y) received from BGT the right to use the transferred gas (which right was subsequently transferred on May 31, 2001 to BAM)[14]. On

[13] Each of BoA's and Sundance's interest consists of 3% of BGT's capitalization.

[14] This right to use is set forth in the Amended and Restated Pressurization and Storage Gas Borrowing Agreement, dated as of May 30, 2001, by and among BAM, Asset Holdings, and the Bank of New York, as trustee of BGT.

May 31, 2001, HPL repurchased 25 million MMBtus of such storage gas from BGT, leaving only cushion gas with BGT.

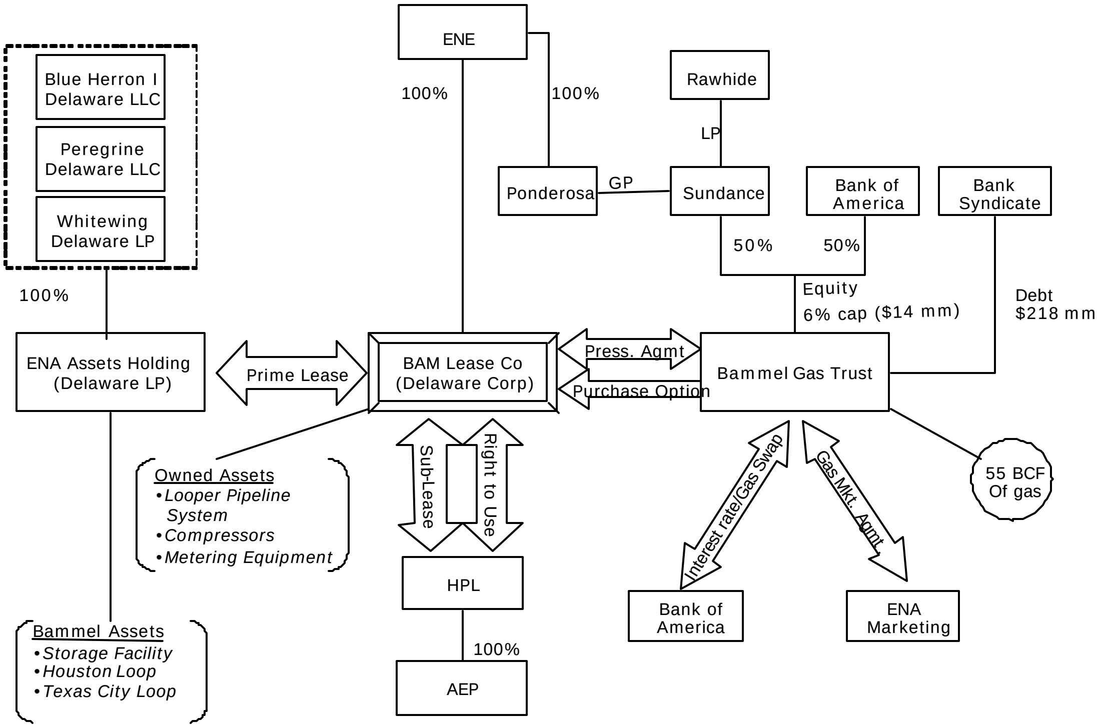
(ii) Asset Holdings Transaction (November 1999). ENE and HPL formed HPL Asset Holdings L.P. (n/k/a Asset Holdings, a Whitewing entity). HPL contributed its Bammel storage and gas transportation assets in consideration for a 99.89% limited partnership interest and a .01% general partnership interest in Asset Holdings. ENE indirectly contributed $1 million for a .1% limited partnership interest in Asset Holdings. Contemporaneously, Asset Holdings leased back the Bammel assets to HPL for an eighteen-year term (which lease rights were subsequently transferred to BAM on May 31, 2001 for an extended term through July 31, 2031).

Concurrently, HPL contributed its general partnership interest in Asset Holdings to Blue Heron I, LLC, and then contributed its interest in Blue Heron I, LLC to the Whitewing structure, and contributed its limited partnership interest in Asset Holdings to Whitewing LP in exchange for a limited partnership interest in Whitewing LP.

(iii) Project Triple Lutz (May 31, 2001). Through a series of transactions (including the transfer by HPL of its limited partnership interest in Whitewing LP, its leasehold interest in the Prime Lease Assets and various other interests to BAM) (x) ENE sold the stock of HPL and HPLR to AEP Holding, (y) AEP Holding obtained (A) a thirty-year sublease for the Prime Lease Assets, (B) a lease of the Looper pipeline system, Bammel compressors and metering equipment owned by BAM and used in connection with the operation of the leased assets and the Prime Lease Assets, and (C) the right to use certain cushion gas for an upfront payment of $626 million, including $274 million of prepaid lease payments (pursuant to a right to use agreement, dated May 31, 2001), and (z) AEP Holding was granted a purchase option to purchase the Prime Lease Assets, the assets set forth in subsection (c) of this paragraph,[15] and the cushion gas.

[15] These assets were leased via the sublease agreement.

b. **Structure Diagram as of Initial Petition Date**.



ENE
100%
100%
Rawhide
LP
Blue Herron I Delaware LLC
Peregrine Delaware LLC
Whitewing Delaware LP
Ponderosa
GP
Sundance
Bank of America
Bank Syndicate
50%
50%
100%
Equity
6% cap ($14 mm)
Debt
$218 mm
ENA Assets Holding (Delaware LP)
Prime Lease
BAM Lease Co (Delaware Corp)
Press. Agmt
Purchase Option
Bammel Gas Trust
Owned Assets
•Looper Pipeline System
•Compressors
•Metering Equipment
Sub-Lease
Right to Use
Interest rate/Gas Swap
Gas Mkt. Agmt
55 BCF Of gas
HPL
Bank of America
ENA Marketing
Bammel Assets
•Storage Facility
•Houston Loop
•Texas City Loop
100%
AEP

c. **Significant Assets Associated with the Structure**. BAM currently has rights to 13.75 bcf of gas, 2.3 bcf of which is non-recoverable, in the Bammel storage facility plus ownership of certain other assets such as the Looper Pipeline System, compressors, and metering equipment. It also leases from Asset Holdings under the Prime Lease the Bammel storage facility, the Houston Loop, and the Texas City Loop.

d. **Significant Potential Liabilities of the Structure**. BAM has potential liabilities under the pressurization agreement, Prime Lease, the sublease, and the right to use agreement with AEP Holdings, all described above.

e. **Significant Potential Liabilities of Debtors**. Pursuant to a performance guaranty, ENE guaranteed the punctual performance and payment of the obligations of BAM, Asset Holdings, and ENA under certain transaction documents, including the pressurization agreement with BGT, whether for indemnities, fees, swap payments and other advances, or payments thereunder.

By virtue of a Consent and Acknowledgement Agreement, Asset Holdings must continue to acknowledge AEP Holdings' right to sublease the Bammel assets.

5. **BCI Note**

a. **Legal Structure**. In December 1999, ETB, a wholly owned indirect subsidiary of ENE, issued the ETB Note to EDF, a wholly owned indirect subsidiary of ENE. At the same time, Elektro, an indirect subsidiary of ENE, issued a $213,090,185.24 note to ETB on the same terms as the ETB Note.

In June 2000, in connection with the closing of a buy and sellback agreement entered into between ENE and BCI, ENE purchased the ETB Note from EDF at par. ENE and BCI then entered into the buy and sellback agreement in July 2000, whereupon ETB reissued the ETB Note to BCI. The buy and sellback agreement required BCI to purchase the ETB Note from ENE at par and required ENE to repurchase the ETB Note in June 2006, or sooner upon the occurrence of certain events, for the then-outstanding balance thereof.

b. Significant Assets Associated with the Structure. ENE indirectly holds 100% of the capital stock of ETB. ETB holds a majority of the preferred shares of Elektro. With respect to ETB, the Elektro note to ETB may be considered an asset; however, such asset is offset by a corresponding liability pursuant to the ETB Note.

c. Significant Potential Liabilities of the Structure. The debt evidenced by the ETB Note and the Elektro note to ETB.

d. Significant Potential Liabilities of Debtors. As of the Initial Petition Date, the principal amount outstanding under the ETB Note was $213,090,185.24, for which ETB was primarily liable and ENE was a guarantor.

e. Structure Resolution. As of December 31, 2002, the ETB Note's maturity was extended, its effective interest rate was reduced, and its semi-annual payment dates were modified. ENE's obligation to repurchase the note was extinguished. Additionally, Elektro effectively became a guarantor of ETB's obligations under the ETB Note.

6. Bob West Treasure L.L.C.

a. Legal Structure. ENA formed BWT, a Delaware limited liability company, effective December 15, 1999. As of the Initial Petition Date, the membership interests in BWT consisted of ENA as the managing member, and LJM Norman and SE Thunderbird, both as members.

Prior to the Initial Petition Date, BWT entered into a series of agreements in connection with partially financing EEX Corporation's[16] acquisition of certain entities owned by Tesoro Petroleum Corporation and its affiliates. The entities acquired by EEX Corporation included EEX E&P, which, among other things, was engaged in exploration, production, gathering, transportation, and marketing of oil, natural gas, condensate, and associated hydrocarbons.

Pursuant to the BWT Forward Contract, BWT (i) prepaid EEX E&P $105 million to buy certain quantities of natural gas to be delivered over time and (ii) appointed EEX E&P as its marketing agent to sell the natural gas on BWT's behalf and deliver the gas proceeds to BWT on a monthly basis at the BWT Gas Index Price. EEX E&P's obligations to BWT under the

[16] EEX Corporation is a third party entity and is not an affiliate of any of the Debtors.

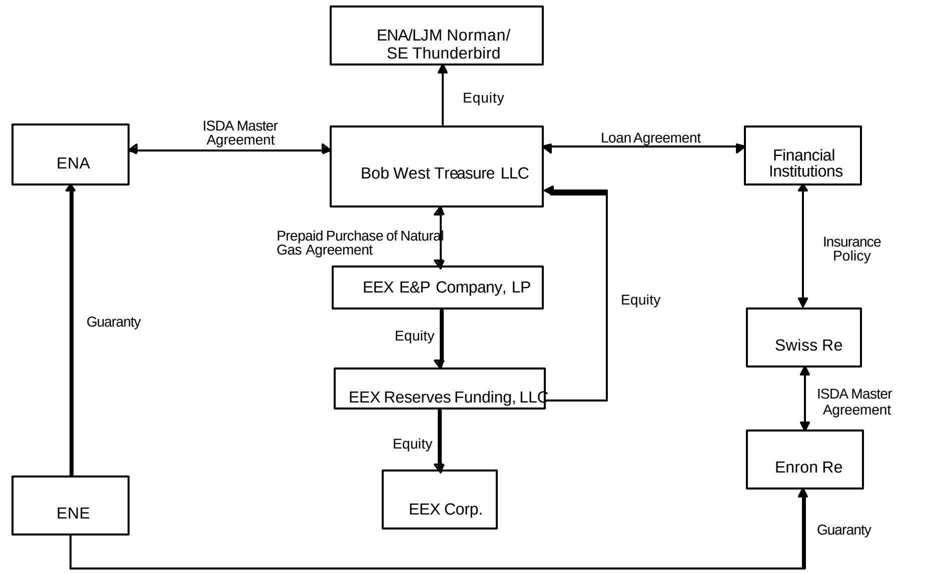
BWT Forward Contract were secured by mortgages and security agreements on certain real and personal properties of EEX E&P. Moreover, pursuant to an undertaking agreement, EEX Corporation effectively guaranteed certain of EEX E&P's obligations to BWT under the BWT Forward Contract.

To hedge certain of its risks under the BWT Forward Contract, BWT entered into the BWT Swap with ENA to document: (a) a natural gas swap whereby ENA was to pay a fixed price in exchange for the BWT Gas Index Price and (b) two interest rate swaps whereby BWT was to receive LIBOR and pay ENA a fixed rate. ENE guaranteed ENA's obligations under the BWT Swap and EEX E&P guaranteed BWT's obligations under the BWT Swap. BWT's obligations to ENA under the BWT Swap were secured by a second priority lien and security interest on certain of BWT's assets, including a second priority collateral assignment of all collateral granted to BWT by EEX E&P as security for EEX E&P's obligations under the BWT Forward Contract.

In addition to entering into the BWT Forward Contract and the BWT Swap, BWT made a $3 million capital contribution to acquire a 50% membership interest in EEX Reserves. EEX Reserves owns 100% of the equity of EEX E&P. Thereafter EEX Capital and BWT entered into a call agreement pursuant to which (a) EEX E&P had the ability to terminate the BWT Forward Contract prior to its termination date and (b) EEX Capital had the ability to purchase BWT's membership interests in EEX Reserves.

In connection with the BWT Forward Contract, BWT obtained a $105 million loan from a syndicate of financial institutions led by RBC. The loan was secured by a first priority lien and security interest on all of the assets of BWT, including a collateral assignment of all collateral granted to BWT by EEX E&P as security for EEX E&P's obligations under the BWT Forward Contract. In connection with this loan, BWT purchased an insurance policy from EFR, guaranteed by Swiss Re, for the benefit of the lenders. EFR, in turn, entered into a swap arrangement with Enron Re, whereby Enron Re took the first loss position on the insurance policy up to $10 million, plus 10%, of any claim amounts thereafter. ENE guaranteed Enron Re's obligations under the swap arrangement. Immediately prior to March 31, 2003, Enron Re had exposure under the reinsurance swap.

b. Structure Diagram as of Initial Petition Date.


ENA/LJM Norman/
SE Thunderbird
Equity
ISDA Master
Agreement
ENA
Bob West Treasure LLC
Loan Agreement
Financial
Institutions
Prepaid Purchase of Natural
Gas Agreement
Insurance
Policy
EEX E&P Company, LP
Equity
Guaranty
Equity
Swiss Re
EEX Reserves Funding, LLC
ISDA Master
Agreement
Equity
Enron Re
ENE
EEX Corp.
Guaranty

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, BWT's assets were comprised of the BWT Forward Contract, the security interests in EEX E&P's assets related thereto, and an equity interest in EEX Reserves.

d. Significant Potential Liabilities of the Structure. Immediately prior to March 31, 2003, BWT (a) owed the financial institutions principal and interest under the BWT loan agreement, and (b) had exposure under the BWT Swap.

e. Significant Potential Liabilities of Debtors. Prior to March 31, 2003, ENA had exposure under the BWT Swap. ENE was a guarantor of ENA's obligations under the BWT Swap and Enron Re's obligations under the reinsurance swap.

f. Structure Resolution. In March 2003, ENE and ENA received approval of a settlement agreement that was entered into by and among EEX E&P, EEX Capital, BWT, ENA, Enron Re, EFR, RBC, in its capacities as administrative agent and collateral agent, Royal Bank of Canada (Caribbean) Corporation, in its capacity as bank insurance trustee (for purposes of specified provisions only), RBC Dominion Securities Inc. (for purposes of specified provisions only), and other transaction documents referenced therein, including mutual releases with certain of the parties. The comprehensive settlement generally provided for: (a) the termination of the BWT Forward Contract; (b) the exercise by EEX Capital of its call option under a call agreement between EEX Capital and BWT; and (c) from the proceeds received by BWT upon the termination of the BWT Forward Contract (together with other proceeds from BWT and from BWT's cash collateral account at RBC), the (i) repayment of principal and interest owed by BWT under the BWT loan agreement, (ii) repayment to EFR of amounts paid by EFR under an insurance policy, (iii) payment to ENA of amounts owing to ENA pursuant to the termination and settlement of the BWT Swap, and (iv) repayment to Enron Re of amounts, if any, paid by Enron Re in connection with the reinsurance swap (and not previously reimbursed to Enron Re). The settlement closed on March 31, 2003.

7. Brazos LP

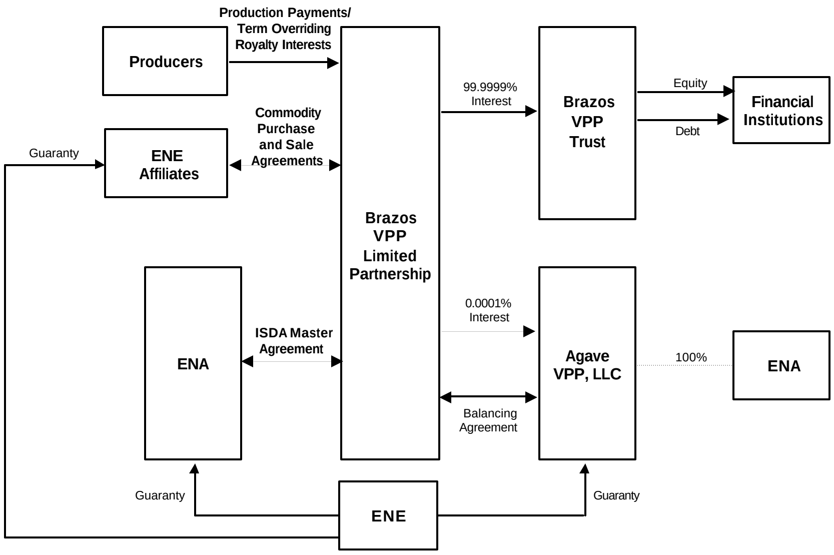
a. Legal Structure. In December 2000, Brazos LP, a limited partnership formed under the laws of Delaware, received cash contributions from its limited partner (99.9999% interest) Brazos Trust, a Delaware business trust, and its general partner (0.0001% interest) Agave, a wholly owned subsidiary of ENA. The cash contributed by Brazos Trust as consideration for its limited partner interest in Brazos LP was generated from debt and equity issued by Brazos Trust to third-party financial institutions. In addition, this structure facilitated additional investments of debt and equity by financial institutions in Brazos Trust and in turn by Brazos Trust in Brazos LP.

Brazos LP's primary business purpose is to acquire, own, hold, operate, manage, and dispose of production payments and term overriding royalty interests and to engage in any other activities incidental, necessary, or appropriate to the foregoing. Brazos LP used cash contributions made primarily by its limited partner, Brazos Trust, to acquire such production payments and royalty interests from ENE affiliates and third parties from time to time. In December 2000, Brazos LP entered into (i) an ISDA Master Agreement with ENA and associated commodity and interest rate confirmations, and (ii) two commodity purchase and sale agreements for the sale of crude oil and natural gas to ERAC, an ENA affiliate, and ENA, respectively. Brazos LP subsequently entered into a gas purchase and sale agreement with ENA Upstream, an ENA affiliate.

In December 2000, Brazos LP retained Agave to act as servicer to perform certain operating activities and as balancer to advance money to Brazos LP, subject to certain conditions, should a shortfall occur in amounts owed to Brazos LP due to a timing difference between scheduled volumes of commodities to be delivered in a month and actual volumes of commodities delivered in that month.

ENE guaranteed its affiliates' obligations under the applicable transaction documents, except those of Brazos LP.

b. Structure Diagram as of Initial Petition Date.



Production Payments/
Term Overriding
Royalty Interests
Producers
Commodity
Purchase
and Sale
Agreements
Guaranty
ENE
Affiliates
Brazos
VPP
Limited
Partnership
99.9999%
Interest
Brazos
VPP
Trust
Equity
Debt
Financial
Institutions
ENA
ISDA Master
Agreement
0.0001%
Interest
Agave
VPP, LLC
100%
ENA
Balancing
Agreement
Guaranty
ENE
Guaranty

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Brazos LP held four separate production payments and/or term overriding royalty interests which provide crude oil and natural gas to Brazos LP, and an ISDA Master Agreement with associated confirmations with ENA.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, (i) Brazos LP owed the delivery of crude oil and natural gas to ENA affiliates, (ii) Brazos LP may have owed a mark-to-market payment to ENA under the ISDA Master Agreement and associated confirmations between ENA and Brazos LP if they had been terminated, (iii) Brazos LP may have had cash distribution obligations to its contractual counterparties, including, without limitation, Agave, ENA Upstream, ERAC, and Brazos Trust, and (iv) Brazos Trust may have had cash distribution obligations to the holders of debt and equity instruments issued by Brazos Trust to third-party financial institutions.

e. Significant Potential Liabilities of Debtors. ENA may have exposure to Brazos LP under the ISDA Master Agreement and related confirmations between ENA and Brazos LP upon termination and settlement thereof. Claims may be made against ENA, ENA Upstream and ERAC under commodity purchase and sale agreements with Brazos LP. ENE has guaranteed the obligations of ENA, Agave, ENA Upstream, and ERAC under various agreements between those entities and Brazos LP.

f. Significant Activity Since Initial Petition Date. As of April 19, 2002, Agave ceased being the general partner of Brazos LP. As of July 30, 2002, (i) Agave ceased being servicer and having balancing obligations to Brazos LP, (ii) Brazos LP and Brazos Trust waived certain claims against Agave for breach of its obligations as former general partner of

Brazos LP and in respect of its servicing and balancing obligations to Brazos LP, and (iii) to the extent of such waivers, Brazos LP and Brazos Trust released ENE from its guarantee of those obligations.

8. Cash V

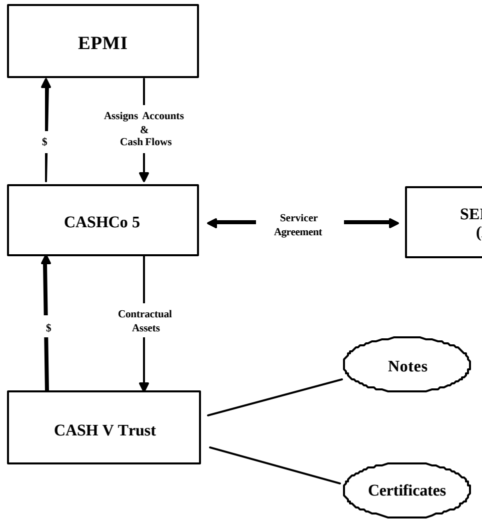
a. Legal Structure. In June 1997, EPMI assigned the rights to a stream of capacity payments from VEPCO to CashCo 5. CashCo 5 assigned its rights to the capacity payments to Cash V Trust. Cash V Trust issued notes and certificates in the amount of approximately $131 million to fund the purchase of the assigned capacity payments.

Cash V Trust retained EPMI to act as its servicer. The servicer has an obligation to provide liquidity to Cash V Trust in an amount no greater than approximately $3.9 million to cover timing delays associated with payment by VEPCO.

ENE guaranteed EPMI's obligations under the applicable transaction documents.

VEPCO terminated the capacity contract in November 2001.

b. Structure Diagram as of Initial Petition Date.



c. Significant Assets Associated with the Structure. The structure holds a potential claim against VEPCO for termination damages.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, Cash V Trust had obligations of approximately $68.3 million.

e. Significant Potential Liabilities of Debtors. ENE guaranteed the obligations of EPMI.

9. Cash VI

a. Legal Structure. On June 19, 1998, ECTRIC, a Delaware corporation, assigned to ECTEF, a wholly owned non-Debtor subsidiary of ECTRIC, all of its rights and obligations pursuant to an in-the-money electricity derivative contract dated April 1, 1996, with British Energy Generation Limited, a wholly owned subsidiary of British Energy (formerly known as Nuclear Electric Limited and also AGR & PWR Co. Limited).

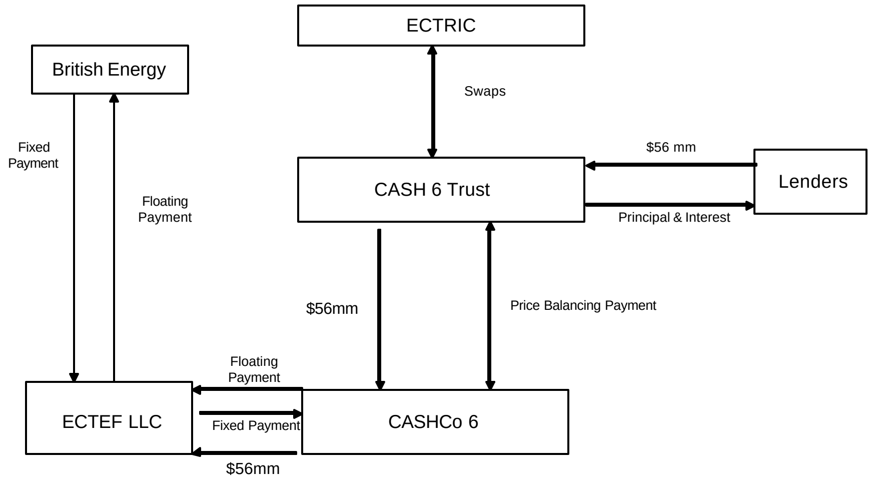
ECTEF assigned its rights to any payments under the contract to CashCo 6, a wholly owned subsidiary of ECTRIC. CashCo 6 in turn assigned its rights to any payments under the contract to Cash VI Trust.

Cash VI Trust issued $56,185,004.02 in notes to Barclays to fund its purchase of the contract payments from CashCo 6. The Cash VI Trust entered into swaps with ECTRIC to hedge its interest rate, currency, inflation, and power price risks. Cash VI Trust retained ECTRIC to act as its servicer.

ENE issued a performance guarantee to the Cash VI Trust, for the benefit of the noteholder, of the obligations of ECTEF, CashCo 6, and ECTRIC under the applicable transaction documents.

After the Initial Petition Date, ECTEF and British Energy Generation Limited entered into negotiations for a settlement of ECTEF's claims under the contract, but a settlement was never executed. On November 28, 2002, British Energy announced that it was seeking to negotiate a financial restructuring of the British Energy Group to avoid an English insolvency proceeding. ECTEF terminated the contract on December 9, 2002. Refer to Section IV.B.4.f., "British Energy" for further information.

b. Structure Diagram as of Initial Petition Date.


ECTRIC
British Energy
Swaps
Fixed Payment
$56 mm
Floating Payment
CASH 6 Trust
Lenders
Principal & Interest
$56mm
Price Balancing Payment
Floating Payment
ECTEF LLC
Fixed Payment
CASHCo 6
$56mm

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Cash VI Trust was the assignee of the proceeds under the derivative contract. As noted above, the British Energy Group is undergoing a restructuring. Refer to Section IV.B.4.f., "British Energy" for further information.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, Cash VI Trust had note obligations to Barclays of approximately $50 million and swap obligations to ECTRIC of approximately $32 million.

e. Significant Potential Liabilities of Debtors. ENE issued the performance guaranty noted above.

10. Cerberus

a. Legal Structure. In November 2000, EAH assigned 11.5 million common shares of EOG Resources to Aeneas. In exchange for such assignment, EAH received a Class A membership interest in Aeneas and a right to receive a special distribution on the closing date after the execution of the amended and restated limited liability company agreement of Aeneas. The Class A Interest represented 100% of the voting interest and a .01% economic interest in Aeneas. However, EAH could not cause Aeneas to take certain actions, including to sell, or otherwise dispose of, the EOG Resources shares without the consent of Heracles Trust.

Aeneas issued a Class B membership interest to Psyche in exchange for a promissory note. Psyche then assigned the Class B membership interest to Heracles for $517.5

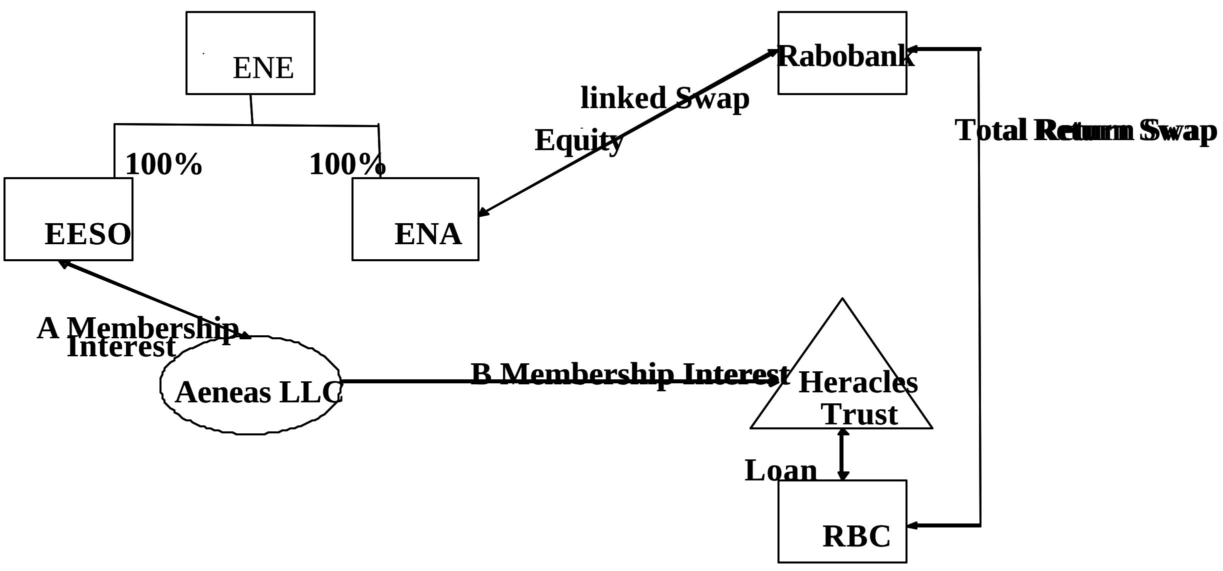
million and used the proceeds to repay the promissory note to Aeneas. Heracles entered into a facility agreement with RBC to fund the purchase of the Class B membership interest.

The structure was amended on January 31, 2001, primarily to incorporate Rabobank as the credit support provider to RBC. EAH assigned (i) its right to receive distributions from Aeneas to Psyche and (ii) its right to receive distributions from Psyche to RBC. EAH assigned all of its remaining interest in Aeneas and Psyche to EESO. RBC assigned the interests received from EAH to Rabobank.

Additionally, at the time of the amendment, Rabobank and RBC entered into a total return swap agreement pursuant to which Rabobank agreed to pay RBC an amount equal to the principal and interest payable by Heracles, and RBC agreed to pay Rabobank all amounts actually paid by Heracles under the facility agreement.

Rabobank and ENA entered into an equity-linked swap agreement for the scheduled term of the facility agreement, pursuant to which (i) ENA agreed to pay Rabobank (x) a floating rate based on LIBOR plus a margin on the approximate original principal amount borrowed under the facility agreement, and (y) if the price per share realized by Rabobank upon the sale of a reference portfolio of EOG Resources stock is less than the strike price specified in the swap, an amount equal to the strike price minus the realized price multiplied by 11.5 million; and (ii) Rabobank pays ENA (x) amounts equal to dividends paid on the EOG Resources shares, and (y) if the price per share realized by Rabobank upon the sale of a reference portfolio of EOG Resources stock is greater than the strike price specified in the swap, an amount equal to the realized price minus the strike price multiplied by 11.5 million.

b. Structure Diagram as of Initial Petition Date.



c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Aeneas held 11.5 million shares of EOG Resources. These shares were sold in November 2002, and the proceeds are in escrow. Refer to Section IV.B.5., "Asset Sales" for further information.

d. Significant Potential Liabilities of the Structure. $517 million loan from RBC.

e. Significant Potential Liabilities of Debtors. ENA's obligations, and ENE's guaranty thereof, under the equity linked swap with Rabobank.

f. Significant Activity Since Initial Petition Date. On August 18, 2003, ENE, ENA, EESO and certain other Enron Companies, RBC, Rabobank, and the Creditors' Committee entered into a Settlement Agreement related to the Cerberus structure. A motion to approve the Settlement Agreement was filed with the Bankruptcy Court on August 18, 2003. Certain creditors and parties in interest have objected to the proposed settlement, and a hearing on the motion is scheduled for September 19, 2003. Pursuant to the Settlement Agreement, among other things, (i) ENE will receive approximately 65% of the proceeds of the sale of the EOG Resources shares (approximately $289 million), (ii) RBC will receive approximately 35% of the proceeds of the sale of the EOG Resources shares (approximately $154 million), (iii) RBC will retain an Allowed General Unsecured Claim against ENE in the amount of $226 million, (iv) all other proofs of claim related to the Cerberus structure will be withdrawn by the parties to the Settlement Agreement, and (v) the parties to the Settlement Agreement will receive certain mutual releases.

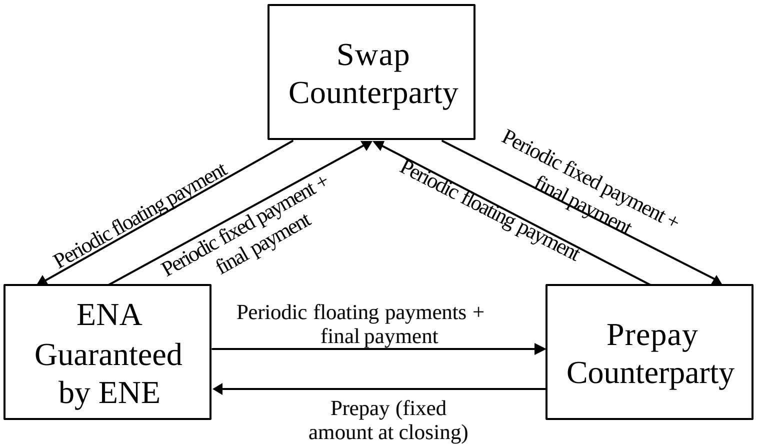
11. Citibank/Delta Prepays

a. Legal Structure. At the Initial Petition Date, the six prepay transactions described below involving Citibank and Delta were outstanding. On the closing date of each transaction, ENA entered into two swap transactions, one with Delta and one with Citibank. Under one swap (i) the prepay counterparty made a prepayment of the fixed amount due under the swap to ENA, and (ii) ENA agreed to make (x) periodic floating payments based on the price of a barrel of crude oil multiplied by a set number of barrels, and (y) a final payment of not more than a capped amount set under the swap. Under the second swap, ENA (i) received from the swap counterparty a periodic floating payment based on the price of a barrel of crude oil multiplied by a set number of barrels, (ii) paid a periodic fixed payment, and (iii) paid a final payment of not less than the transaction amount minus a floating amount based on the price of a barrel of crude oil multiplied by a set number of barrels. ENE understands that Citibank and Delta entered into related transactions on each closing date, but ENE has no information related to the performance under, or possible termination of, those transactions. The following is a brief summary of the transactions on each closing date:

Transaction Date	Transaction Amount	Prepay Counterparty	Swap Counterparty
December 1999	$800,000,000	Delta	Citibank
February 2000	£ 206,750,000	Delta	Citibank
August 2000	$475,000,000	Citibank	Delta

May 2001	$475,000,000	Citibank	Delta
May 2001	£ 109,500,000	Citibank	Delta
May 2001	€ 170,000,000	Citibank	Delta

b. Structure Diagram as of the Initial Petition Date.



Swap Counterparty
Periodic floating payment
Periodic fixed payment + final payment
Periodic floating payment
Periodic fixed payment + final payment
ENA Guaranteed by ENE
Periodic floating payments + final payment
Prepay Counterparty
Prepay (fixed amount at closing)

c. Significant Potential Liabilities of Debtors. ENA, and ENE as guarantor, are obligated under the swap transactions described above.

12. Cornhusker

a. Legal Structure. ENA indirectly owns 100% of the sole limited partner (10%) in Ponderosa Ltd., which owns a 263-MW cogeneration facility located in Cleburne, Texas. DPC indirectly owns 100% of the general partner interests (90%) in Ponderosa Ltd.

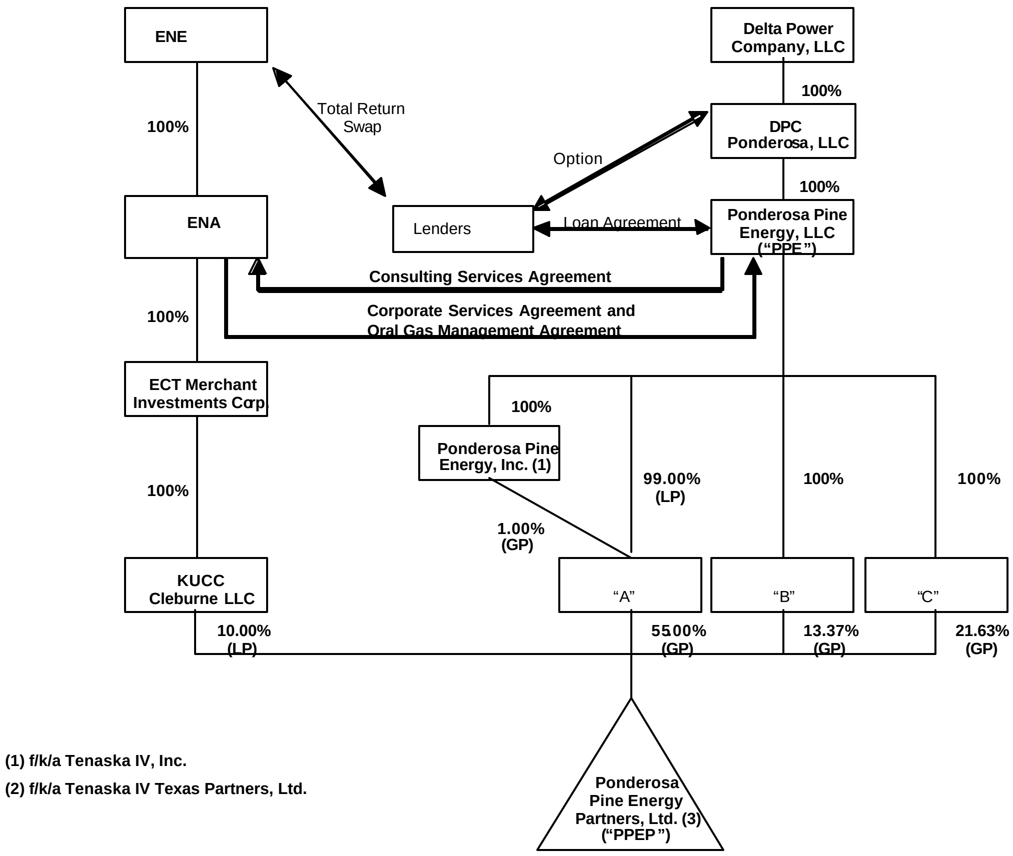
DPC's wholly owned subsidiary, PPE, entered into the PPE loan agreement with various financial institutions to finance a portion of its acquisition of the general partner interests in Ponderosa Ltd. Contemporaneous with the PPE loan agreement, DPC Ponderosa, the direct 100% parent of PPE, and KBC, the agent to the financial institutions party to the PPE loan agreement, entered into the DPC option agreement, whereby KBC, as agent, was granted an irrevocable option to purchase all of DPC Ponderosa's interest in PPE.

Also contemporaneous with the execution of the PPE loan agreement and the DPC option agreement, ENE entered into the Cornhusker swap with KBC, in its capacity as agent for the financial institutions, pursuant to which ENE (or its designee) was granted an irrevocable option to purchase (i) the interest in the obligations of PPE under the PPE loan agreement or (ii) the interest in PPE obtained through the exercise of the purchase option under the DPC option agreement.

Also under the Cornhusker swap, ENE agreed to make fixed quarterly payments to KBC equal to the cost of carry on the principal amount outstanding under the PPE loan agreement, plus the commitment fee for a revolving credit commitment under the PPE loan agreement. KBC agreed to make quarterly payments to ENE of all amounts received from PPE in respect of the loans made under the PPE loan agreement. The Cornhusker swap also provided that upon the maturity or acceleration of the loans under the PPE loan agreement, ENE will pay to KBC all principal, interest, and other sums due to KBC on such date, and KBC will pay to ENE all monies received from PPE in respect of the loans as of such date.

Additionally, PPE and ENA entered into three agreements associated with PPE's indirect ownership interests in Ponderosa Ltd.: (a) a corporate services agreement whereby ENA is to provide, either itself or through affiliates or subcontractors, corporate, administrative, staffing, and project and asset management support services; (b) an oral gas management agreement whereby ENA is to provide gas management services to Ponderosa Ltd.; and (c) a consulting services agreement whereby PPE is to provide consulting services to ENA on matters relating to the development and implementation of energy strategies in Texas.

b. Structure Diagram as of Initial Petition Date.


ENE
Delta Power Company, LLC
100%
Total Return Swap
100%
DPC Ponderosa, LLC
Option
100%
ENA
Lenders
Loan Agreement
Ponderosa Pine Energy, LLC ("PPE")
Consulting Services Agreement
100%
Corporate Services Agreement and Oral Gas Management Agreement
ECT Merchant Investments Corp.
100%
Ponderosa Pine Energy, Inc. (1)
100%
99.00% (LP)
100%
100%
1.00% (GP)
KUCC Cleburne LLC
"A"
"B"
"C"
10.00% (LP)
55.00% (GP)
13.37% (GP)
21.63% (GP)
(1) f/k/a Tenaska IV, Inc.
(2) f/k/a Tenaska IV Texas Partners, Ltd.
Ponderosa Pine Energy Partners, Ltd. (3) ("PPEP")

c. Significant Assets Associated with the Structure. Ponderosa Ltd. owns a 263-MW cogeneration facility located in Texas and associated contracts.

d. **Significant Potential Liabilities of the Structure**. The lenders to PPE had outstanding approximately $216.4 million.

e. **Significant Potential Liabilities of Debtors**. ENE's payment obligations under the Cornhusker swap.

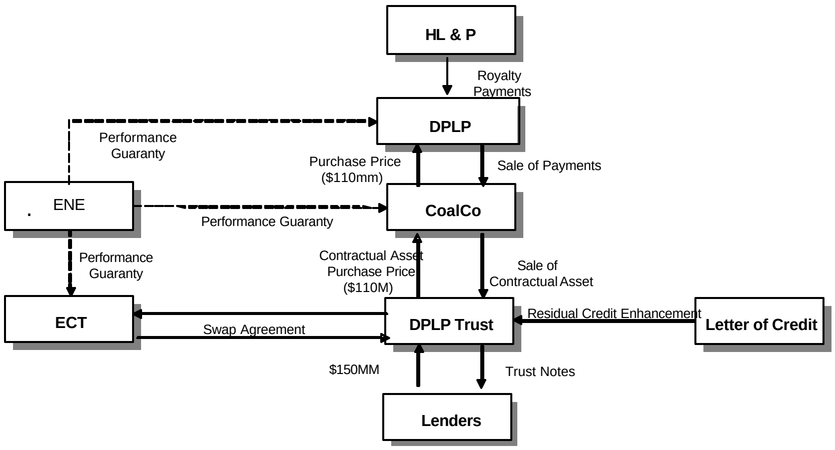
13. Destec Properties Limited Partnership

a. **Legal Structure**. In September 1997, DPLP, a wholly owned subsidiary of ENA, assigned its rights to royalty payments due from HL&P to CoalCo for $110 million. CoalCo, in turn, assigned such rights to the royalty payments to the DPLP Trust for $110 million.

The DPLP Trust issued $150 million of notes with a maturity date of February 5, 2013. ENA entered into a swap agreement with DPLP Trust whereby ENA paid the monthly interest obligation of the Trust and ENA received a floating payment. ENA also received approximately $40 million for entering into the swap. A $9 million letter of credit issued by Toronto Dominion Bank to the DPLP Trust provides residual credit support to the DPLP Trust. ENE guaranteed the obligations of CoalCo and DPLP under each of the applicable transaction documents.

The DPLP Trust originally retained DPLP to act as its servicer, but DPLP was removed as servicer after the Initial Petition Date. On December 4, 2001, the DPLP Trust terminated the swap agreement with ENA.

b. **Structure Diagram as of Initial Petition Date**.



HL & P
Royalty Payments
DPLP
Performance Guaranty
Purchase Price ($110mm)
Sale of Payments
ENE
Performance Guaranty
CoalCo
Performance Guaranty
Contractual Asset Purchase Price ($110M)
Sale of Contractual Asset
ECT
Swap Agreement
DPLP Trust
Residual Credit Enhancement
Letter of Credit
$150MM
Trust Notes
Lenders

c. Significant Assets Associated with the Structure. The DPLP Trust has a potential claim under the terminated swap with ENA and a potential claim on the remaining royalty payments from HL&P.

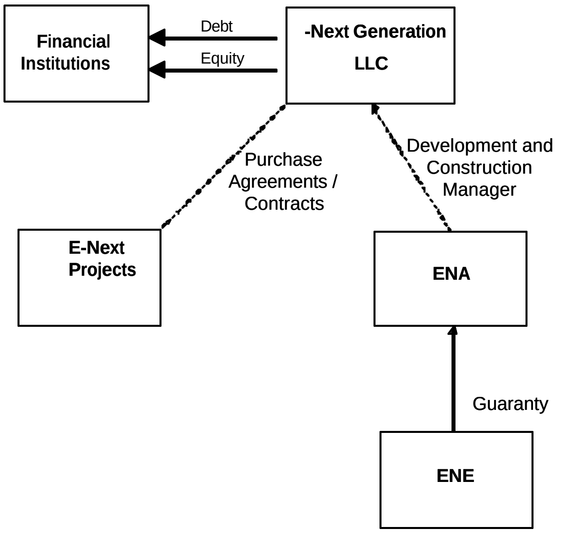
d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, the DPLP Trust had note obligations of approximately $110 million.

e. Significant Potential Liabilities of Debtors. ENA's obligations described above and ENE's guaranty of ENA's obligations.

14. E-Next

a. Legal Structure. E-Next is a Delaware limited liability company established in late 2000 to acquire, own, develop, construct, operate, and maintain the E-Next Projects. E-Next pursues its objectives through itself and certain of its subsidiaries. E-Next obtains its funding for the E-Next Projects from equity and debt, which is provided by various financial institutions.

b. Structure Diagram as of Initial Petition Date.



c. Significant Assets Associated with the Structure. As of the Initial Petition Date, E-Next held purchase agreements for the manufacture of one 7FA simple cycle turbine, one heat recovery steam generator, and one steam turbine. All three contracts were terminated after the Initial Petition Date.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, the debt and equity holders had funded approximately $21 million for progress payments that E-Next had made to the equipment manufacturers.

e. Significant Potential Liabilities of Debtors. As of the Initial Petition Date, ENA, as the development and construction manager for E-Next, owed the debt and equity holders their outstanding funded amounts (approximately $21 million).

15. Enron Capital LLC

a. Legal Structure. In October 1993, ENE formed Enron Capital LLC to facilitate the issuance of $200 million in preferred equity. Enron Capital LLC, a limited life company organized under the laws of Turks and Caicos Islands, was initially a wholly owned subsidiary of ENE. As part of this financing, the LLC sold 8.55 million shares of 8% Cumulative Guaranteed MIPS with a $25 per share liquidation preference to the public. The proceeds of the offering (together with the initial capital contribution that ENE made to the LLC) were loaned by the LLC to ENE, and are evidenced by a subordinated loan. ENE paid for the expenses and commissions relating to the offering. Enron Capital LLC exists solely for the purpose of issuing the partnership preferred securities and loaning the proceeds to ENE. The guaranty issued by ENE may give rise to a prepetition unsecured claim against ENE.

b. Significant Assets Associated with the Structure. The significant asset associated with the structure is the ENE obligation to repay the proceeds lent by Enron Capital LLC to ENE.

c. Significant Potential Liabilities of the Structure. Enron Capital LLC issued 8.55 million shares of 8% Cumulative Guaranteed MIPS with a $25 per share liquidation preference to the public. ENE guaranteed the payment of the liquidation preference and the monthly dividends relating to the MIPS, as more fully described below. There are no other liabilities in the structure.

d. Significant Potential Liabilities of Debtors. ENE guaranteed the payment in full of (A) any accumulated arrears and accruals of unpaid dividends on the MIPS securities that had been declared out of monies legally available, (B) the redemption price, including any accumulated arrears and accruals of unpaid dividends on the MIPS securities that had been declared, along with the amount payable upon redemption of the MIPS out of monies legally available, and (C) upon a liquidation of the LLC, the lesser of (i) the aggregate of the liquidation preference and all accumulated arrears and accruals of unpaid dividends (whether or not declared) on the MIPS securities to the date of such payment, and (ii) the amount of assets of the LLC remaining available for distribution in liquidation to the holders of the MIPS securities. The guaranty issued by ENE may give rise to a prepetition unsecured claim against ENE.

16. Enron Capital Resources

a. Legal Structure. In May 1994, ENE formed Enron Capital Resources, L.P. to facilitate the issuance of $75 million in preferred equity. Enron Capital Resources, L.P., a limited partnership organized under the laws of Delaware, was initially a wholly owned subsidiary of ENE. As part of this financing, the LP sold 3 million limited partnership interests designated as 9% Cumulative Preferred Securities with a $25 per share liquidation preference to the public. The proceeds of the offering (together with the initial capital contribution that ENE made to the LLC) were loaned by the LP to ENE, and are evidenced by a subordinated loan. ENE paid for the expenses and commissions relating to the offering. Enron Capital Resources, L.P. exists solely for the purpose of issuing the preferred securities and loaning the proceeds to ENE. ENE is the sole general partner of the LP.

b. Significant Assets Associated with the Structure. The significant asset associated with the structure is the ENE obligation to repay the proceeds lent by Enron Capital Resources, L.P. to ENE.

c. Significant Potential Liabilities of the Structure. Enron Capital Resources, L.P. sold 3 million limited partnership interests designated as 9% Cumulative Preferred Securities with a $25 per share liquidation preference to the public. ENE guaranteed the payment of the liquidation preference and the monthly dividends relating to the preferred securities, as more fully described below. There are no other liabilities in the structure.

d. Significant Potential Liabilities of Debtors. ENE guaranteed the payment in full of (A) any accumulated arrears and accruals of unpaid distributions on the preferred securities that had been declared out of monies legally available, (B) the redemption price, including any accumulated arrears and accruals of unpaid distributions on the preferred securities that had been declared, along with the amount payable upon redemption of the preferred securities out of monies legally available, and (C) upon a liquidation of the LP, the lesser of (i) the aggregate of the liquidation preference and all accumulated arrears and accruals of unpaid distributions (whether or not declared) on the preferred securities to the date of such payment, and (ii) the amount of assets of the LP remaining available for distribution in liquidation to the holders of the preferred securities. The guaranty issued by ENE may give rise to a prepetition unsecured claim against ENE.

17. Enron Capital Trust I

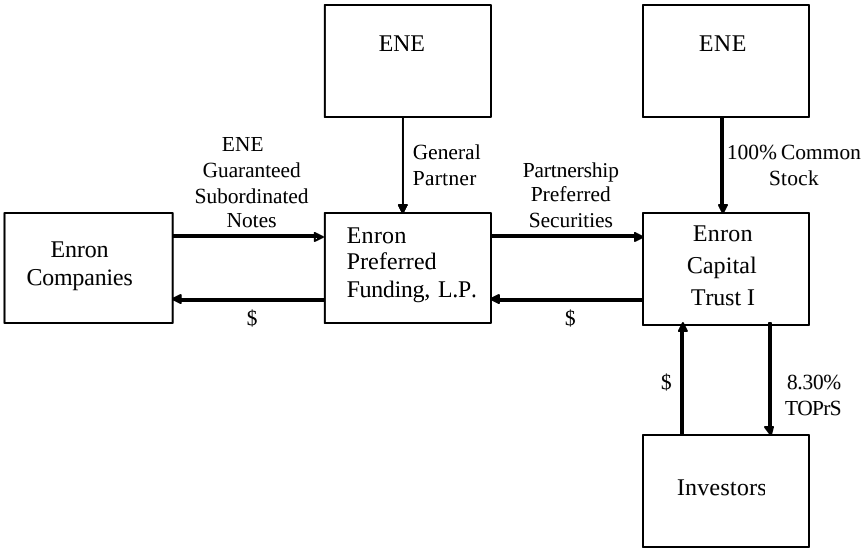
a. Legal Structure. In November 1996, ENE formed ECT I and EPF I to facilitate the issuance of $200 million in trust originated preferred securities, or TOPRS.

ECT I, a Delaware statutory business trust, was initially created as a wholly owned affiliate of ENE. As part of this financing, the trust sold 8 million shares of 8.30% TOPRS with a $25 per share liquidation value to the public. Approximately 99% of the proceeds of the offering were used by ECT I to purchase 8.30% partnership preferred securities of EPF I, a Delaware limited partnership, while the remaining funds were used to purchase highly rated debt securities from entities not affiliated with ENE. ENE guaranteed payment of the TOPRS to the limits that funds were available in ECT I, and such guaranty was subordinated to be on a parity with the highest priority of preferred stock of ENE.

EPF I was established for the sole purpose of issuing partnership interests to ECT I and investing the proceeds in securities of ENE and its affiliates as well as highly rated debt securities from unaffiliated entities. ENE owned all partnership interests in EPF I, other than the partnership preferred securities, and served as EPF I's general partner. After the sale of partnership interests to ECT I, ENE caused EPF I to use 99% of the proceeds to purchase subordinated debentures of ENE, debentures of ENA, and debentures of ETS, and to use 1% to invest in outside investments.

Under the documents governing EPF I, distributions on partnership preferred securities from income or dividends to the partnership were to be made in the sole discretion of ENE, as general partner. ENE, as general partner, also had the right, subject to the conditions set forth in the documents governing EPF I, to replace any of the debentures held by EPF I with equity or debt securities of affiliates of ENE.

b. Structure Diagram as of Initial Petition Date.



c. Significant Assets Associated with the Structure. The significant assets associated with the structure are ENE subordinated debentures, ENA debentures, ETS debentures, and a small amount of highly rated debt securities from entities not affiliated with ENE, comprised mainly of highly rated fixed income securities (current balance of $2.5 million). The subordinated debentures purchased by the partnership from ENE had 20-year terms and ranked junior to all senior indebtedness of the company. The debentures purchased by the partnership from ENA and ETS had 20-year terms and ranked *pari passu* with senior indebtedness of these Debtors, respectively.

d. Significant Potential Liabilities of the Structure. ECT I issued 8 million shares of 8.30% TOPRS with a $25 per share liquidation value to the public. There are no other liabilities in the structure.

e. Significant Potential Liabilities of Debtors. ENE guaranteed the payment in full of (A) all accrued but unpaid distributions on the TOPRS securities to the extent that funds were available in ECT I for such distributions, (B) the amount payable upon redemption of the TOPRS to the extent that sufficient funds are available in ECT I, and (C) generally, the liquidation value of the TOPRS to the extent that there are sufficient assets in the trust available for distribution. ENE also provided these guarantees to EPF I with respect to the payment of partnership distributions and liquidation amounts, if necessary, provided that the funds were available in the partnership for such distributions.

Additionally, ENE fully and unconditionally guaranteed payments in respect of the debt issued by ENE and its affiliates to EPF I. All of the guarantees issued by ENE may constitute contractually subordinated unsecured obligations of the company and rank subordinate and junior to all other liabilities of the company and rank *pari passu* with the most senior preferred stock issued by ENE and with any guarantee entered into by the company in respect of preferred securities issued by any affiliate.

18. Enron Capital Trust II

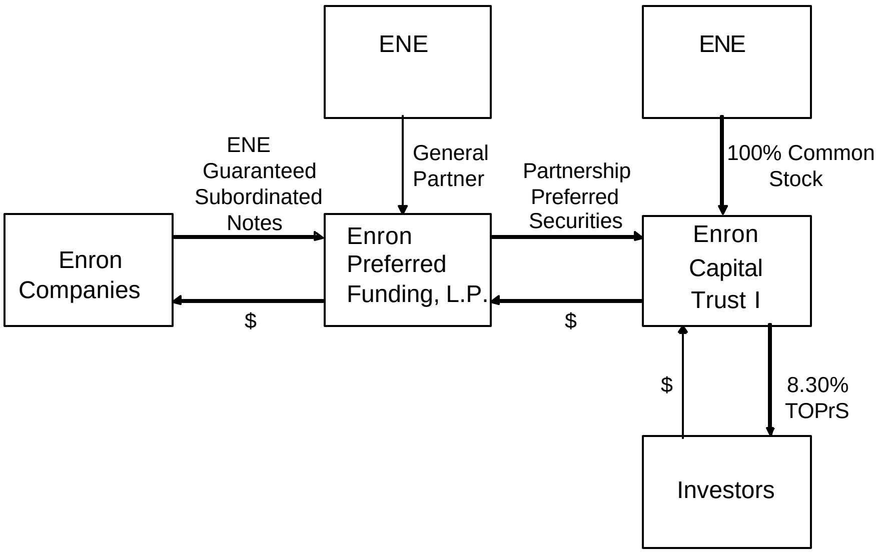
a. Legal Structure. In January 1997, ENE formed ECT II and EPF II to facilitate the issuance of $150 million in trust originated preferred securities, or TOPRS.

ECT II, a Delaware statutory business trust, was initially created as a wholly owned affiliate of ENE. As part of this financing, the trust sold 6 million shares of 8.125% TOPRS with a $25 per share liquidation value to the public. Approximately 99% of the proceeds of the offering were used by ECT II to purchase 8.125% partnership preferred securities of EPF II, a Delaware limited partnership, while the remaining funds were used to purchase highly rated debt securities from entities not affiliated with ENE. ENE guaranteed payment of the TOPRS to the limits that funds were available in ECT II, and such guaranty was subordinated to be on a parity with the highest priority of preferred stock of ENE.

EPF II was established for the sole purpose of issuing partnership interests to ECT II and investing the proceeds in securities of ENE and its affiliates as well as entities not affiliated with ENE. ENE owned all partnership interests in EPF II, other than the partnership preferred securities, and served as EPF II's general partner. After the sale of partnership interests to ECT II, ENE caused EPF II to use 99% of the proceeds to purchase subordinated debentures of ENE, debentures of ENA and debentures of ETS, and to use 1% to invest in outside investments. The subordinated debentures purchased by the partnership from ENE and debentures of ENA and ETS had 20 year terms and ranked junior to all senior indebtedness of the company.

Under the documents governing EPF II, distributions on partnership preferred securities from income or dividends to the partnership were to be made in the sole discretion of ENE, as general partner. ENE, as general partner, also had the right, subject to the conditions set forth in the documents governing EPF II, to replace any of the debentures held by EPF II with equity or debt securities of affiliates of ENE.

b. **Structure Diagram as of Initial Petition Date**.



c. **Significant Assets Associated with the Structure**. The significant assets in the structure are ENE subordinated debentures, ENA Debentures, ETS debentures, and a small amount of highly rated debt securities from entities unaffiliated with ENE, comprised mainly of highly rated fixed income securities (current balance of $1.8 million). The subordinated debentures purchased by EPF II from ENE had 20 year terms and ranked junior to all senior indebtedness of the company. The debentures purchased by the partnership from ENA and ETS had 20-year terms and ranked *pari passu* with senior indebtedness of these Debtors, respectively.

d. **Significant Potential Liabilities of the Structure**. ECT II issued 6 million shares of 8.15% TOPRS with a $25 per share liquidation value to the public. There are no other liabilities in the structure.

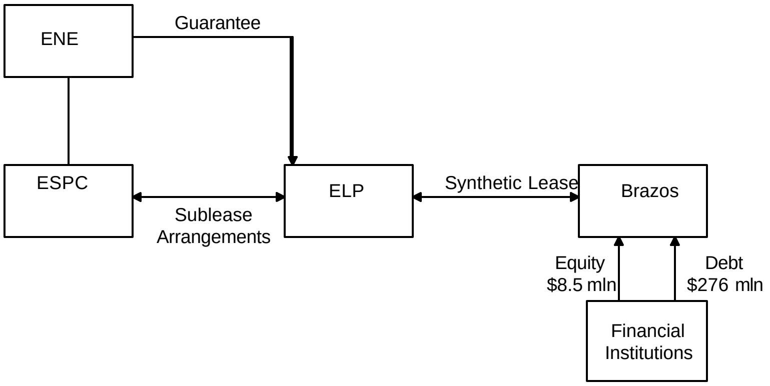
e. **Significant Potential Liabilities of Debtors**. ENE guaranteed the payment in full of (A) all accrued but unpaid distributions on the TOPRS securities to the extent that funds were available in ECT II for such distributions, (B) the amount payable upon redemption of the TOPRS to the extent that sufficient funds are available in ECT II, and (C) generally, the liquidation value of the TOPRS to the extent that there are sufficient assets in ECT II available for distribution. ENE also provided these guarantees to EPF II with respect to the payment of partnership distributions and liquidation amounts, if necessary, provided that the funds were available in EPF II for such distributions.

Additionally, ENE fully and unconditionally guaranteed payments in respect of the debt issued by ENE and its affiliates to EPF II. All of the guarantees issued by ENE may constitute contractually subordinated unsecured obligations of the company and rank subordinate and junior to all other liabilities of the company and rank *pari passu* with the most senior preferred stock issued by ENE and with any guarantee entered into by the company in respect of preferred securities issued by any affiliate.

19. Enron Center North Synthetic Lease

a. Legal Structure. In April 1997, ENE refinanced an existing synthetic lease on the Enron Building through a new synthetic lease arrangement. To effect the refinancing, Brazos, a third-party limited partnership owned by financial institutions, acquired the fee interest in the Enron Building from Enron Houston Headquarters Trust (State Street, as Trustee) for $284.5 million. The purchase by Brazos was financed with proceeds of the Smith Street Loan and Smith Street Equity. Contemporaneous with such financing, Brazos and OPI, an ENE affiliate, entered into a lease, pursuant to which OPI was granted a leasehold interest in the Enron Building. OPI assigned the lease to ELP, an ENE affiliate, and the obligations of ELP under the lease were guaranteed by ENE. ELP and ENE thereafter entered into a sublease, pursuant to which ELP subleased the Enron Building to ENE, the rights and obligations of which were subsequently assigned by ENE to EPSC, a subsidiary of ENE. The Smith Street Loan is secured by a lien on the real property constituting the Enron Building and a collateral assignment of all interest of Brazos in the lease and the ENE guaranty. The lease expired in April 2002, and ENE and its affiliates have been occupying the Enron Building pursuant to forbearance arrangements described in the structure resolution section below.

b. Structure Diagram as of Initial Petition Date.



c. Significant Assets Associated with the Structure. The only asset included in the synthetic lease structure is the Enron Building.

d. Significant Potential Liabilities of the Structure. Brazos incurred the Smith Street Loan in the original principal amount of $275,965,000. As security for this loan, Brazos assigned to the banks its rights, title, and interest in both the lease to OPI and the corporate guarantee from ENE.

e. Significant Potential Liabilities of Debtors. During the life of the lease, ELP had various financial obligations guaranteed by ENE, including but not limited to payment for rent, insurance, maintenance, and taxes. As of end of the lease, the parties to the structure may have certain options which include, without limitation: (i) ELP could refinance the lease; (ii) ELP could purchase the Enron Building for $284,500,000; or (iii) if ELP neither refinanced the lease nor purchased the Enron Building, then the Enron Building could be sold to a third party, and to the extent of any deficiency between the amount of sales proceeds and structure liabilities, ENE might be liable for up to approximately $284,500,000. Application and interpretation of the terms of documents governing this structure will determine the priority of the ultimate distribution of any amounts received in respect of structure liabilities and sales of structure assets among the third-party holders of structure debt and equity, and ELP and ENE.

f. Significant Activity Since Initial Petition Date. On May 14, 2002, JPMCB, as agent for the bank syndicate, ELP, ENE, and EPSC entered into a forbearance agreement in which the banks agreed not to pursue before April 1, 2003 any rights and remedies that may be available to them as a result of defaults asserted by the banks under certain structure documents in exchange for (A) ENE paying all due but unpaid rent and amounts under certain parking, building, and common area services agreements as of May 14, 2002, (B) ENE paying rent monthly in reducing amounts as outlined in the agreement, (C) ENE paying 2001 and 2002 property taxes, (D) ENE maintaining adequate insurance on the Enron Building, and (E) ENE remaining current on certain parking, building, and common area services agreements. The initial forbearance agreement was subsequently amended twice to, among other things, extend the forbearance period until April 30, 2003 and May 31, 2003, and reduce the amount of rent payable and space occupied by ENE and its affiliates. The initial forbearance agreement then was further amended in May 2003 to (a) effectively extend the forbearance period until March 31, 2004, (b) provide for a sale of the Enron Building pursuant to an auction to be conducted under the supervision of the Bankruptcy Court on a date not later than November 15, 2003, (c) provide for a deed in lieu of foreclosure of the Enron Building to JPMCB, as agent for the banks, on December 31, 2003 if the auction sale has not been consummated, (d) provide for the form of lease to be entered into by the new owner of the Enron Building upon a title transfer under either preceding clause (b) or (c), with such lease expiring March 31, 2004 and being on substantially the same economic terms for the same occupancy as provided in the amended forbearance agreement, and (e) provide the methodology for calculating any deficiency claim, taking into account the sales price of the Enron Building in the auction or its appraised value in the event of a deed in lieu of foreclosure.

On September 2, 2003, an affiliate of JPMCB, as subagent for the bank syndicate, credit bid $90 million to foreclose upon the interests of Brazos in the Enron Building. The foreclosure does not affect the interests of ENE and its affiliates in the Enron Building or the sale of the Enron Building contemplated by the forbearance arrangements described above. The occupancy rights of ENE and its affiliates remain protected under the terms of such forbearance arrangements.

20. Enron Corp. "Equity Forwards"

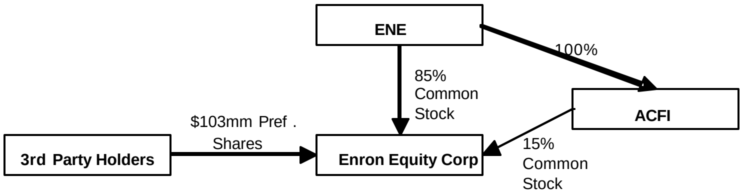
a. Legal Structure. ENE entered into certain agreements with various counterparties that have at times been referred to as "Equity Forwards" and "Equity Swaps" and purport to provide, in general and among other terms, that ENE would purchase a specified number of shares of its common stock at a fixed price on a pre-set future date, or ENE would make periodic payments on pre-set future dates based on a contractual formula tied to the price of its common stock.

b. **Significant Potential Liabilities of the Debtors**. In connection with the foregoing, a claim has been asserted by one counterparty alleging that ENE obligated itself under an agreement which purports to provide for a note payable obligation to the counterparty in an amount in excess of $173 million, and claims have also been asserted by at least two other counterparties alleging that ENE is liable to them under agreements in amounts totaling in excess of $125 million.

21. Enron Equity Corp.

a. **Legal Structure**. In December 1994, ENE formed Enron Equity to hold indirect interests in certain international assets and to issue preferred stock through a private placement to third-party investors. Enron Equity sold 880 shares of 8.57% preferred stock for $88 million. Enron Equity used the funds received in the private placement to purchase investments, including (1) $35,568,509 of 9.142% Perpetual Second Preferred Stock of ENE, (2) an 8.645% 5-year, fixed rate senior unsecured note of ENE in the amount of $59,280,848, (3) an 8.831% 30-year, fixed rate senior unsecured note of ENE in the amount of $22,651,212 and (4) a 5-year warrant to purchase an additional $59,280,848 of 8.645% 5-year, fixed rate senior unsecured notes of ENE. In April 1996, Enron Equity sold 150 shares of 7.39% preferred stock for $15 million. Enron Equity used the funds received to purchase additional notes from ENE.

b. **Structure Diagram as of Initial Petition Date**.



c. **Significant Assets Associated with the Structure**. At the Initial Petition Date, Enron Equity held several ENE obligations described above and an indirect interest in several international projects through an equity ownership in EGPP.

d. **Significant Potential Liabilities of the Structure.** The holders of the preferred stock can demand redemption after Enron Equity fails to pay dividends for six consecutive quarters. The holders of at least 80% of the preferred stock demanded redemption in May 2003.

e. **Significant Potential Liabilities of Debtors.** ENE note and preferred stock obligations as described above.

22. Enron Funding Corp./Monte

a. **Legal Structure**. Enron Funding, a Delaware corporation and a wholly owned subsidiary of ENE, entered into the CP Program, pursuant to which Enron Funding issued up to $350 million in U.S. dollar denominated, short-term promissory notes ("CP Notes") in the commercial paper market to qualified institutional buyers and accredited investors. The CP Notes had varying maturity dates ranging up to 85 days, carried an S&P rating of A-1+ and a Moody's rating of P-1, and were unsecured. Enron Funding's obligations to pay the CP Notes on maturity were guaranteed by ENE. The aggregate face amount of all outstanding CP Notes could not exceed the amount of funds available under the Liquidity Facility (as described below) less $5 million. Each CP Note was sold at a discount and, thus, the net proceeds received by Enron Funding was less than the face value of each CP Note. The net proceeds from the CP Program, to the extent not used to repay maturing CP Notes, were loaned by Enron Funding to ENE on an unsecured basis.

The CP Program was backed by Enron Funding's $355 million Liquidity Facility. The Liquidity Facility was led by Barclays and syndicated to several banks that had ratings from S&P and Moody's of A-1+ or P-1, respectively. Under the Liquidity Facility, the banks provided immediately available funds to Enron Funding to pay amounts due upon maturity of the CP Notes and, except at the maturity of the CP Program, to allow Enron Funding to make working capital loans to ENE under the Enron Revolving Credit Facility (as discussed below). Enron Funding's payment obligations under the Liquidity Facility were guaranteed by ENE.

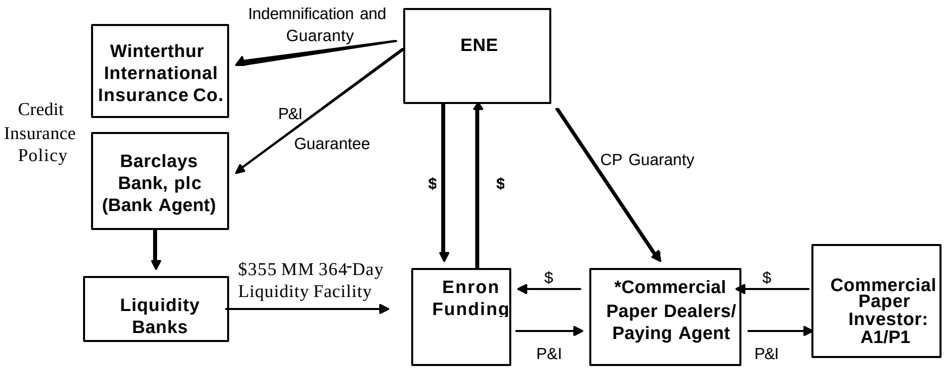
To insure against losses incurred for any unpaid amounts under the Liquidity Facility, the banks thereunder obtained a $355 million Credit Insurance Policy from Winterthur, an insurance company that syndicated the credit risk to seven other underwriters.

To the extent Enron Funding had proceeds available from the Liquidity Facility and the CP Program, Enron Funding agreed to make certain loans to ENE of up to $355 million pursuant to the terms of the Enron Revolving Credit Facility. The principal amount of each loan made by Enron Funding to ENE under the Enron Revolving Credit Facility equaled the net proceeds received by Enron Funding from the corresponding issuance of CP Notes in the CP Program on such date. Each such loan made by Enron Funding to ENE carried a rate of interest per annum equal to (i) the discount rate at which the corresponding CP Notes were issued under the CP Program (as converted to an interest-bearing equivalent rate) plus (ii) an agreed margin. The loans issued by Enron Funding to ENE matured on the same date as the corresponding tranche of CP Notes issued by Enron Funding to the commercial paper market. ENE used the proceeds from the Enron Revolving Credit Facility for general corporate purposes.

In the event the underwriters under the Credit Insurance Policy were required to pay the banks for a claim made under the Credit Insurance Policy, then (i) ENE and Enron Funding were obligated to pay the underwriters for such claimed amounts pursuant to an indemnity, (ii) ENE and Enron Funding were obligated to pay a step up premium to the insurers pursuant to certain premium adjustment agreements, (iii) the underwriters were entitled to exercise a right to subrogation to the rights of the banks to receive payment from Enron Funding for the amount of the claim paid by the underwriters, (iv) Enron Funding was obligated to pay (to the extent it has funds to do so) the underwriters for the amounts subrogated by the underwriters under the Liquidity Facility pursuant to a note payable to the underwriters, and (v) to the extent Enron Funding is unable to pay the amounts owed under the note payable to the underwriters, ENE guaranteed such payment.

In December 2001, Enron Funding made two draws on the Liquidity Facility in the aggregate principal amount of $58,290,000 to repay certain CP Notes. The underwriters under the Credit Insurance Policy paid the banks for such amount in accordance with the terms of the Credit Insurance Policy.

b. Structure Diagram as of Initial Petition Date.


Indemnification and Guaranty
ENE
Winterthur International Insurance Co.
Credit Insurance Policy
P&I
Guarantee
Barclays Bank, plc (Bank Agent)
$
$
CP Guaranty
$355 MM 364-Day Liquidity Facility
Liquidity Banks
Enron Funding
$
P&I
*Commercial Paper Dealers/ Paying Agent
$
P&I
Commercial Paper Investor: A1/P1

c. Significant Assets. Enron Funding has approximately $400,000 of cash and a receivable from ENE in the amount of approximately $58 million relating to unpaid advances under the Enron Revolving Credit Facility.

d. Significant Potential Liabilities of the Structure. Enron Funding has the obligation to pay the principal and interest on the outstanding amounts advanced under the Liquidity Facility. Barclays has claimed approximately $192,000 under the Liquidity Facility in unclaimed fees and expenses.

Enron Funding has the contingent obligation to indemnify Barclays, as the bank insurance agent, for any damages arising out of or related to the Credit Insurance Policy or the Liquidity Facility pursuant to the terms of an indemnity agreement dated as of March 6, 2000, by and between Enron Funding, ENA, and Barclays.

Enron Funding is obligated to pay the underwriters under the Credit Insurance Policy for any amounts paid by the underwriters to the banks for claims made under the Credit Insurance Policy under the terms of (i) a Deed of Indemnity dated as of March 6, 2000, (ii) a promissory note entered into to evidence the underwriters' right of subrogation, and (iii) certain premium adjustment agreements under which Enron Funding are obligated to pay a "step-up premium" in an amount equal to a specified percentage of the claim amount, but in the case of (i) and (ii) above only to the extent it has funds available for such payment which are not then needed to pay maturing CP Notes.

Enron Funding has the obligation to pay a fee to ENE for its duties as servicing agent under the terms and conditions of that certain administrative services agreement dated as of March 6, 2000, by and between Enron Funding and ENE, as servicing agent.

e. Significant Potential Liabilities of Debtors. ENE guaranteed the obligations of Enron Funding under a number of different guarantees and indemnities in favor of: (i) Chase Manhattan Bank, as issuing and paying agent for the CP Notes and as a fiduciary for certain purposes for the holders of the CP Notes, (ii) the holders of the CP Notes, (iii) Barclays, as administrative agent on behalf of the banks under the Liquidity Facility, (iv) Barclays, as bank insurance agent under the Liquidity Facility, (v) the banks who are lenders under the Liquidity Facility, (vi) the parties indemnified under the Liquidity Facility, and (vii) the underwriters pursuant to the Deed of Indemnity for any amounts paid under the Credit Insurance Policy.

ENE was also obligated to pay (i) the principal and interest due on the aggregate outstanding loans made by Enron Funding to ENE under the Enron Revolving Credit Agreement, and (ii) a monthly lender facility fee to Enron Funding based upon the maximum amount ENE was entitled to borrow under the Enron Revolving Credit Agreement.

23. Enron Teeside Operations Ltd.

a. Legal Structure

(i) ETOL I & II. As part of these transactions, RBSF purchased B shares of TOH4L. RBSF financed this purchase through the issuance of approximately GBP 161.5 million in senior and subordinated debt and approximately GBP 5.6 million in equity. At closing, RBSF entered into a total return swap with ENE under which RBSF and ENE agreed to make payments to one another based on (i) the distributions received by RBSF on the B shares and (ii) the amounts owed by RBSF on its senior and subordinated debt. If on any date when interest or principal are due under RBSF's debt agreements the distributions received by RBSF on the B shares exceeds principal and interest due, then RBSF will pay the excess distributions to ENE under the swap. If, on the other hand, distributions received on the B shares are less than the principal and interest payments due, then ENE shall pay RBSF an amount equal to the shortfall.

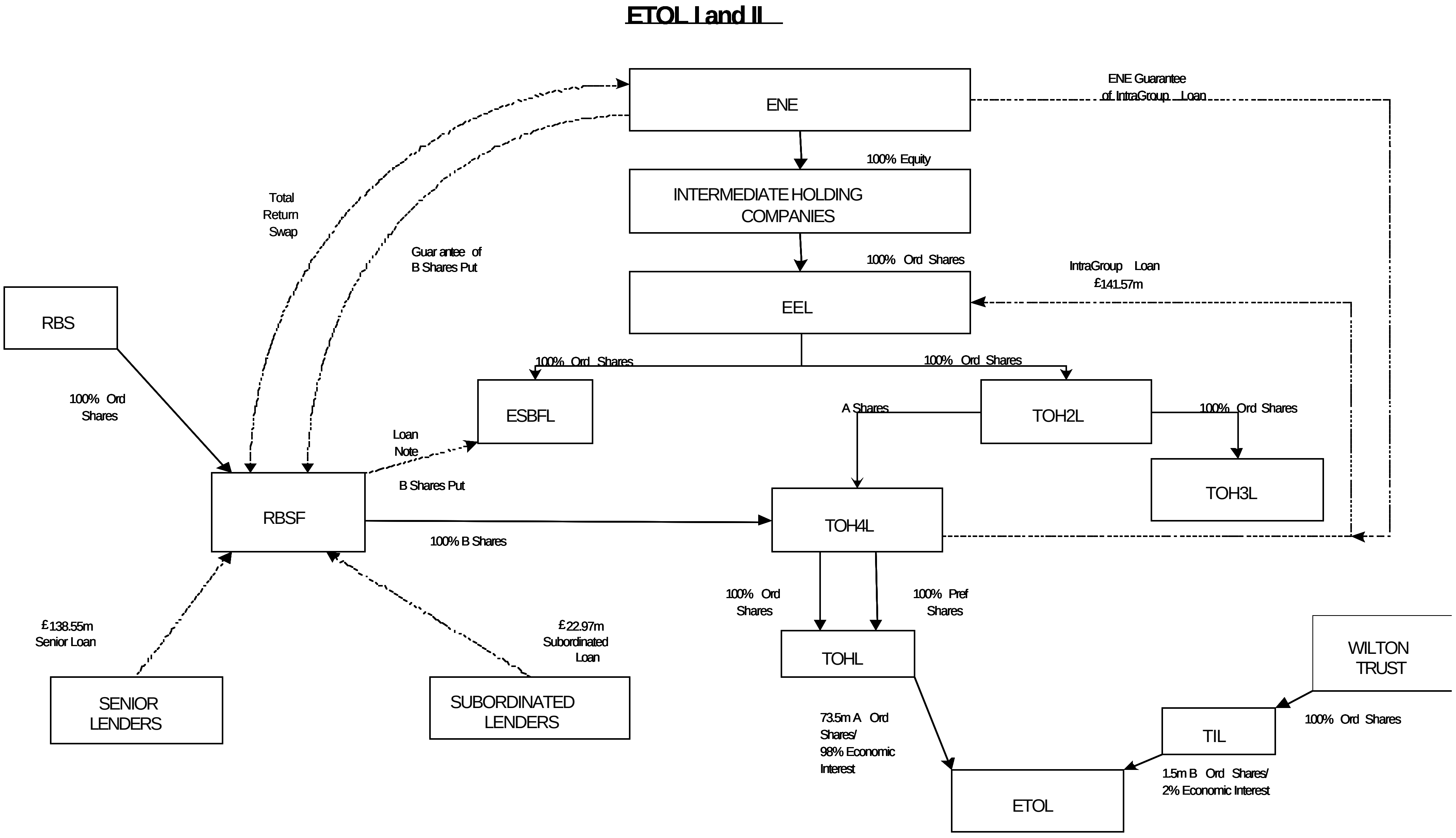
In connection with RBSF's purchase of the B shares of TOH4L, ESBFL granted RBSF a right to put the B shares to ESBFL upon the occurrence of an event of default or other event that causes an early termination of the total return swap with ENE. ENE guaranteed ESBFL's obligations under such put agreement.

As part of the ETOL I & II transactions, TOH4L provided a loan of GBP 141.6 million to EEL. ENE guaranteed EEL's obligations under this loan.

(ii) ETOL III. In the ETOL III transaction, Sideriver, a company incorporated under the laws of England and Wales, purchased C shares in TOH2L, a private company incorporated in England and Wales. As part of its financing efforts, Sideriver borrowed GBP 29.76 million from RBS. Sideriver simultaneously entered into a total return swap with ENE under which Sideriver and ENE agreed to make payments to one another based on (i) the distributions received by Sideriver on the C shares and (ii) the amounts owed on its debt to RBS. If on any date when interest or principal are due under the debt agreement the distributions received by Sideriver on the C shares exceed principal and interest due to RBS, then Sideriver will pay the excess distributions to ENE. If, on the other hand, distributions are less than the principal and interest payments due, then ENE shall pay Sideriver an amount equal to the shortfall. The aggregate principal balance due under Sideriver's debt agreement with RBS is approximately GBP 27.96 million.

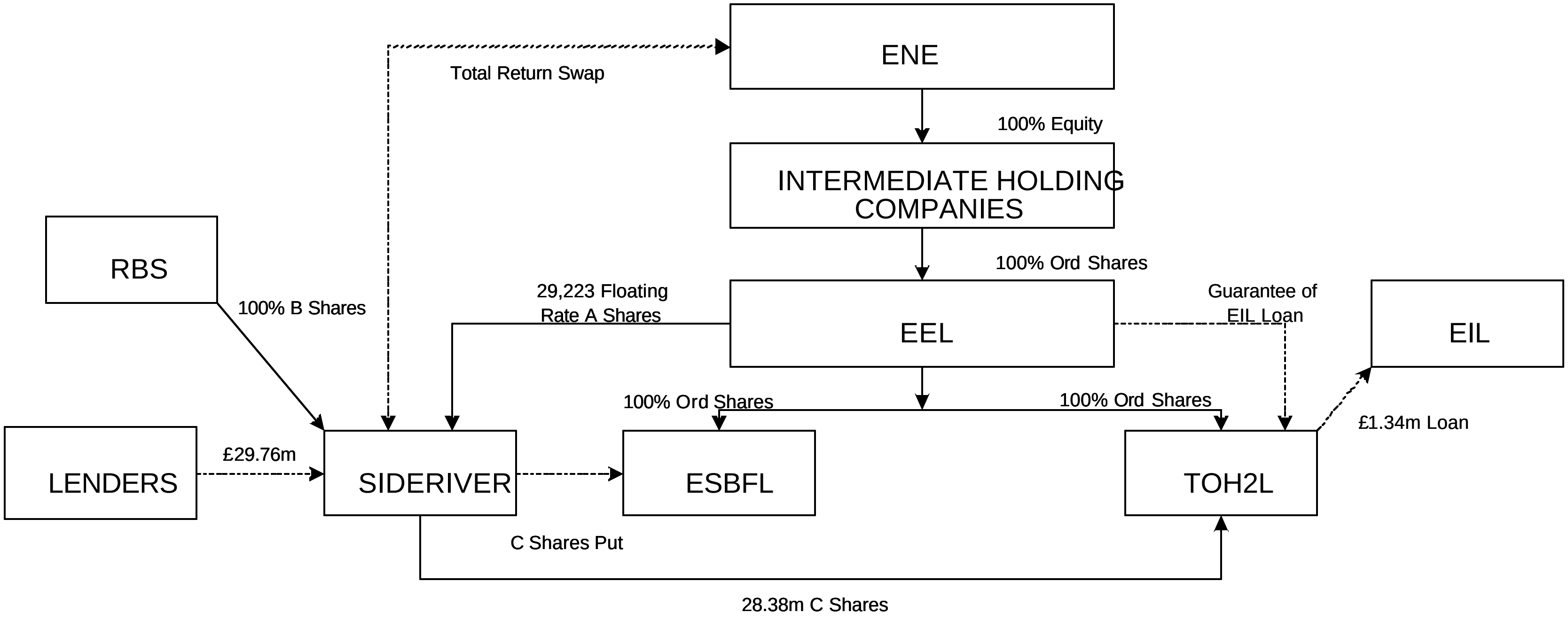
ESBFL granted Sideriver a right to put the C shares to ESBFL, and ENE guaranteed ESBFL's obligations under such put agreement

b. Structure Diagram as of the Initial Petition Date.



ETOL I and II
ENE
ENE Guarantee of IntraGroup Loan
100% Equity
INTERMEDIATE HOLDING COMPANIES
100% Ord Shares
EEL
IntraGroup Loan £141.57m
Total Return Swap
Guarantee of B Shares Put
RBS
100% Ord Shares
100% Ord Shares
ESBFL
100% Ord Shares
TOH2L
A Shares
100% Ord Shares
TOH3L
Loan Note
B Shares Put
RBSF
100% B Shares
TOH4L
100% Ord Shares
100% Pref Shares
TOHL
£138.55m Senior Loan
£22.97m Subordinated Loan
SENIOR LENDERS
SUBORDINATED LENDERS
WILTON TRUST
TIL
100% Ord Shares
73.5m A Ord Shares/ 98% Economic Interest
1.5m B Ord Shares/ 2% Economic Interest
ETOL

ETOL III



ENE
Total Return Swap
100% Equity
INTERMEDIATE HOLDING COMPANIES
100% Ord Shares
RBS
100% B Shares
29,223 Floating Rate A Shares
EEL
Guarantee of EIL Loan
EIL
100% Ord Shares
100% Ord Shares
£1.34m Loan
LENDERS
£29.76m
SIDERIVER
ESBFL
TOH2L
C Shares Put
28.38m C Shares

c. Significant Assets Associated with the Structure. The significant asset related to ETOL I and II was ENE's indirect interest in ETOL, represented by the TOH4L B shares. The B shares had a fixed rate of return and the residual economics of TOH4L that did not flow to RBSF through the B shares was owned by TOH2L. These residual economics, represented by the TOH2L C shares, were monetized in the ETOL III transaction.

d. Significant Potential Liabilities of the Structure. As part of ETOL I and II, RBSF issued GBP 141.5 million in senior debt and GBP 23 million in subordinated debt. Sideriver owes GBP 27.96 million to RBS in the ETOL III transaction.

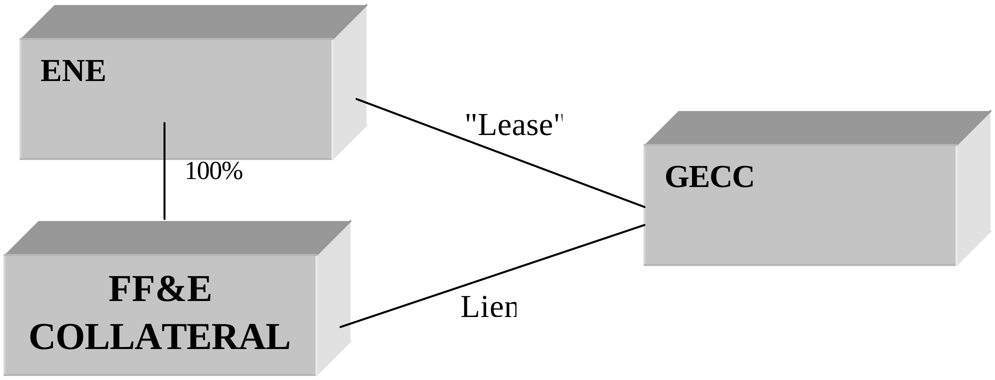
e. Significant Potential Liabilities of Debtors. ENE entered into total return swaps with RBSF and Sideriver as part of these transactions, as discussed above, as well as guarantees for the benefit of RBSF, EEL, and Sideriver.

24. FF&E Synthetic Lease

a. Legal Structure. On March 29, 2001, ENE entered into a synthetic lease with GECC on certain furniture, fixtures, and equipment located at the Enron Building, and allowing for the future financing of furniture, fixtures, and equipment to be located at Enron Center South. The initial financing, which occurred at the closing, was approximately $14 million, and refinanced collateral that was previously involved in a synthetic lease with Sumitomo Bank Leasing and Finance, Inc.

On June 29, 2001 and September 26, 2001, ENE financed additional furniture and fixtures in connection with Enron Center South in the aggregate amount of approximately $7.5 million. Although the documents provided GECC the ability to assign its rights to a commercial paper conduit, ENE is not aware of any such assignment taking place.

b. Structure Diagram as of the Initial Petition Date.



c. Significant Assets Associated with the Structure. Although the documentation is phrased as a lease for accounting purposes, the parties acknowledged that ENE continued to own the assets, subject to the lien of GECC.

d. Significant Potential Liabilities of the Structure. At the Initial Petition Date, approximately $21.5 million was outstanding in connection with this facility.

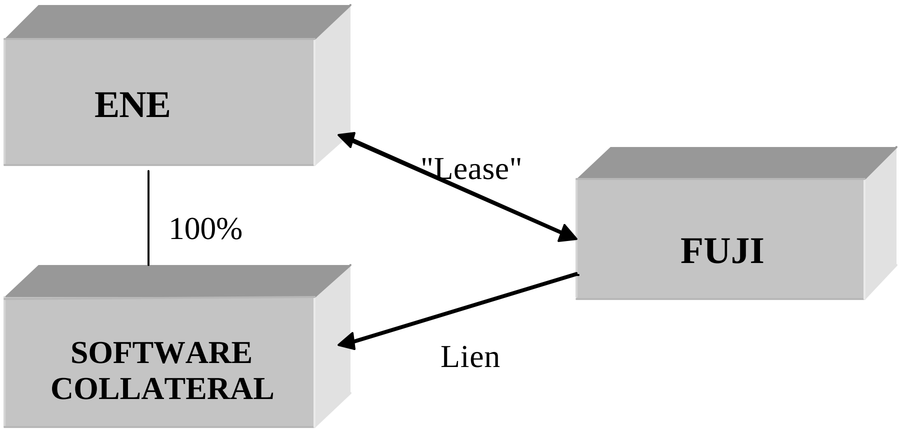
e. **Significant Potential Liabilities of Debtors.** During the existence of the financing, ENE had various obligations including, but not limited to, payment of rent, insurance, maintenance, and taxes. ENE's current obligations are set forth in the stipulations discussed below.

f. **Structure Resolution.** On January 22, 2002, ENE entered into a stipulation with GECC providing for the payment of adequate protection to GECC for the continued use of the collateral. On January 16, 2003, ENE and GECC entered into a stipulation relating to the sale of certain collateral encumbered by the GECC liens located in the Enron Building, which among the things, established the value of the collateral located in the Enron Building, provided GECC with an allowed secured claim relating to the sale of such collateral, provided GECC with the payment of the proceeds derived from the sale of such collateral, and amended the adequate protection stipulation previously entered into between the parties. ENE continues to use the collateral located at the Enron Building that is subject to GECC's lien, and continues to pay the stipulated amount of adequate protection to GECC.

25. Fuji Software Lease

a. **Legal Structure.** On June 25, 1993, ENE entered into a synthetic lease with Fuji relating to certain of ENE's internally developed software. The documents relating to the software lease were amended a number of times, most recently on June 28, 2001, to effect, among other things, a refinancing of the facility.

b. **Structure Diagram as of the Initial Petition Date**.



c. **Significant Assets Associated with the Structure.** Although the documentation is phrased as a lease for accounting purposes, the parties acknowledged that ENE continued to own the software, subject to the lien of Fuji.

d. **Significant Potential Liabilities of the Structure**. At the Initial Petition Date, approximately $44 million was outstanding in connection with this facility.

e. **Significant Potential Liabilities of Debtors.** During the existence of the financing, ENE had various obligations including, but not limited to, payment of rent, insurance, and taxes.

f. Structure Resolution. On March 27, 2003, the Bankruptcy Court entered an agreed order approving a settlement between ENE and Fuji. The settlement provided for the payment of $39.5 million to Fuji and its affiliates and provided for an Allowed General Unsecured Claim in favor of Fuji in the amount of $8 million, in return for certain releases from Fuji.

26. Gallup/Kachina

a. Legal Structure. ECS is the owner of the Class A membership interests in ECC LLC and its managing member.

(i) Project Kachina. As of June 30, 1999, ECS assigned and contributed to ECC LLC (i) all of ECS's interests in and to certain electric motor drivers and appurtenant equipment located at Transwestern's Bisti Compressor Station and Bloomfield Compressor Station in New Mexico and (ii) all of ECS's rights and obligations in and to certain related contracts, including compression services agreements, operations maintenance agreements, and PPAs.

As consideration, ECC LLC issued Class B membership interests to ECS, which ECS assigned to Echo, a third-party equity investor, for a net payment of $6.7 million. The Class B membership interests entitle Echo to a sharing ratio of 81% in ECC LLC's Kachina business, while ECS, as the owner of the Class A membership interests, has a 19% sharing ratio in ECC LLC's Kachina business.

(ii) Project Gallup. As of March 30, 2000, ECS assigned and contributed to ECC LLC (i) ECS's right, title, interest and claim to a certain electric motor driver and appurtenant equipment located at Transwestern's Gallup Compressor Station in New Mexico, and (ii) all of ECS's rights and obligations in and to certain related contracts, including a compression services agreement, operations maintenance agreement, and PPA (subject to some exceptions).

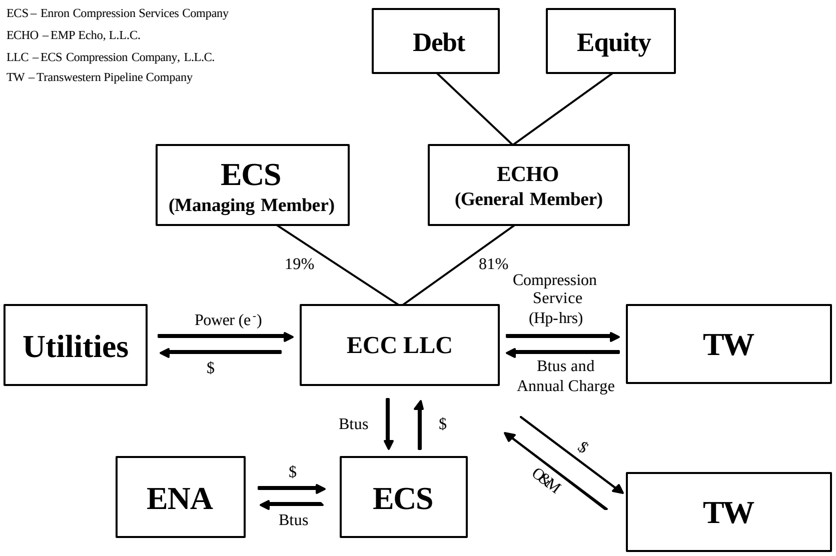
As consideration, ECC LLC issued Class C membership interests to ECS, which ECS assigned to Echo for a net payment of $4.5 million. The Class C membership interests entitle Echo to a sharing ratio of 95% in ECC LLC's Gallup business, while ECS, as the owner of the Class A membership interests, has a 5% sharing ratio in ECC LLC's Gallup business.

Under agreements for both the Kachina and Gallup projects, ECC LLC provides compression services to Transwestern in exchange for a specified amount of natural gas and an annual service charge. ECC LLC sells the natural gas to ECS pursuant to an Enfolio Master Firm Purchase Agreement for a fixed price. ECS in turn sold the gas to ENA pursuant to an Enfolio Master Firm Purchase Agreement; however, that agreement was terminated on or after the Initial Petition Date.

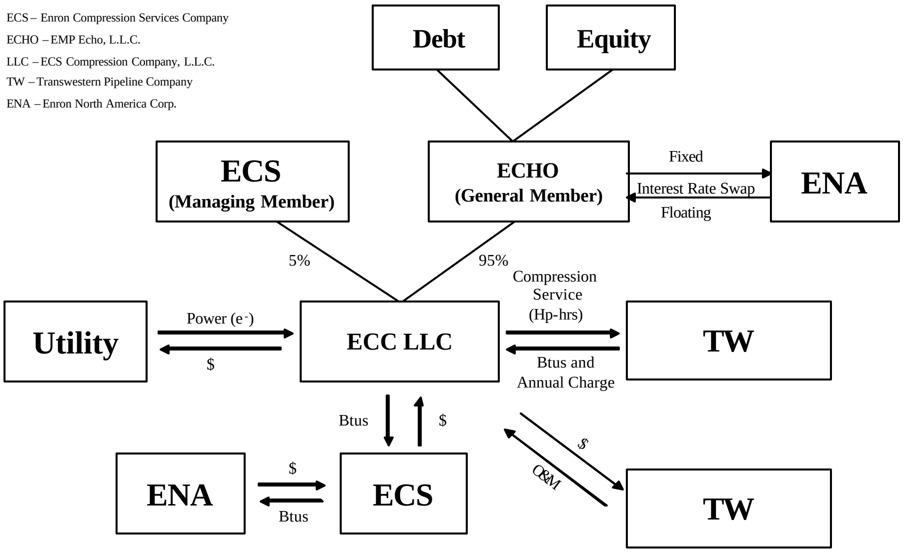
As of the Initial Petition Date, ENA and Echo were parties to an interest rate swap in connection with the Gallup structure pursuant to which Echo pays ENA a fixed rate (8.48%) and ENA pays Echo floating LIBOR + 1.25%. The swap has not been terminated, and ENA is exposed to fluctuations in LIBOR rates.

b. Structure Diagrams.

(i) Kachina.


ECS – Enron Compression Services Company
ECHO – EMP Echo, L.L.C.
LLC – ECS Compression Company, L.L.C.
TW – Transwestern Pipeline Company
Debt
Equity
ECS
(Managing Member)
ECHO
(General Member)
19%
81%
Utilities
Power (e-)
$
ECC LLC
Compression
Service
(Hp-hrs)
Btus and
Annual Charge
TW
Btus
$
ENA
$
Btus
ECS
$
O&M
TW

(ii) Project Gallup


ECS – Enron Compression Services Company
ECHO – EMP Echo, L.L.C.
LLC – ECS Compression Company, L.L.C.
TW – Transwestern Pipeline Company
ENA – Enron North America Corp.
Debt
Equity
ECS
(Managing Member)
ECHO
(General Member)
Fixed
Interest Rate Swap
Floating
ENA
5%
95%
Utility
Power (e-)
$
ECC LLC
Compression
Service
(Hp-hrs)
Btus and
Annual Charge
TW
Btus
$
ENA
$
Btus
ECS
$
O&M
TW

c. Significant Assets Associated with the Structure. ECC LLC owns the compressor motors and equipment located at the Bisti and Bloomfield Compressor Stations and at the Gallup Compressor Station and associated contracts.

d. Significant Potential Liabilities of the Structure. Certain potential tax obligations of ECC LLC are to be determined.

e. Significant Potential Liabilities of Debtors. ENE indemnified Echo for certain liabilities relating to Echo's ownership interest in ECC LLC.

27. Hawaii

a. Legal Structure. At the Initial Petition Date, Project Hawaii consisted of nine separate asset monetizations through either Hawaii I or Hawaii II. Hawaii I was established as a nine-month revolving facility and Hawaii II was established as a two-year revolving facility.

Each monetization involved five to six individual parties: a Sponsor, which was ENE or an ENE consolidated subsidiary that desired to monetize the present value of an asset; an Asset LLC and a Transferor LLC (each formed by the Sponsor); either Hawaii I or Hawaii II; a Swap Counterparty (usually ENA), and a Guarantor (where required, ENE).

Each Sponsor contributed an asset to a separate Asset LLC. In exchange for such contributions, the Sponsors received Class A membership interests in the various Asset LLCs and a right to receive a special distribution on the closing date but after the closing time for the transaction. A Class A interest represents 100% of the voting power, with certain restrictions, of such Asset LLC and the right to receive .01% of all distributions made by the Asset LLC.

Each Asset LLC issued its Class B membership interest to the Transferor LLC in return for the contribution of a promissory note from the Transferor LLC. The Class B interests are non-voting. Each Transferor LLC assigned the Class B interest to a series of either Hawaii I or Hawaii II.

Hawaii I and Hawaii II were initially formed with a contribution of $100 by CIBC in return for a beneficial interest certificate, CIBC, in its capacity as holder of the beneficial interest certificate, then directed the Owner Trustee (Wilmington) to establish a separate series of the applicable trust to purchase and separately account for and hold each Class B interest.

Hawaii I and Hawaii II are each a party to a credit facility, each dated November 20, 2000, each among CIBC, as administrative agent, CIBC World Markets Corp., as sole lead arranger and bookrunner, First Union National Bank and SAN PAOLO IMI S.p.A, as co-arranger, BNP Paribas, as syndication agent, Bayerische, as documentation agent, and the lenders party thereto.[17]

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17 The Hawaii I Credit Facility had a committed amount of $165 million, and the Hawaii II Credit Facility had a committed amount of $385 million.

In order to finance the purchase of Class B interests, Hawaii I and Hawaii II (i) issued Series Certificates of Beneficial Ownership to CIBC and (ii) drew down advances under the Credit Facilities. The aggregate cash purchase price for all Series Certificates purchased by CIBC, in its capacity as holder of the Series Certificates of Beneficial Ownership, was $18,733,305.[18] Interest accrues on the Series Certificate at an aggregate rate equal to 15% per annum. Through separate tranches under each Credit Facility, Hawaii I and Hawaii II drew down aggregate principal amount equal to $436,430,114.[19] The interest rate payable under the Credit Facility is equal to (i) a rate not higher than the Federal Funds Rate plus 0.5%, in the case of base rate advances, and (ii) the LIBOR rate for the applicable one-, two- or three-month periods (as selected by the applicable trust) plus 0.55% (Hawaii I) or 0.75% (Hawaii II), in the case of LIBOR rate advances.

Upon receipt of the proceeds of the sale of the Class B Membership interest from the applicable trust, the Transferor LLC paid the note to the Asset LLC. Upon receipt of the payment on the note, the Asset LLC made a special distribution to the Sponsor. The Sponsors received an aggregate amount in special distributions equal to $455,163,419.

In connection with each purchase of a Class B interest, ENA (or in limited circumstances, ENE) and the applicable trust entered into a total return swap agreement, pursuant to which (i) on each interest payment date under the Credit Facility (x) ENA paid the applicable trust all interest and other sums due to the lenders on such date and (y) the applicable trust paid to ENA all monies or other consideration received with respect to the Class B interest as of such date less any amounts payable on the Series Certificate on such date and (ii) on the maturity date of the loans under the Credit Facility, (x) ENA paid to the applicable trust all principal, interest, and other sums due to the lenders on such date and (y) the applicable trust paid to ENA all funds on hand on such date, less any amounts payable to CIBC, as the holder of the Series Certificate. The lenders have priority over CIBC, in its capacity as holder of the Series Certificate with respect to all distributions to be made by Hawaii I or Hawaii II, and consequently the swap agreement provides credit support only for the loans under the Credit Facility. Payments made by ENA to Hawaii I or Hawaii II under the swap agreement cannot be applied in repaying CIBC, in its capacity as holder of the Series Certificate, or paying accrued yield on the Series Certificate.

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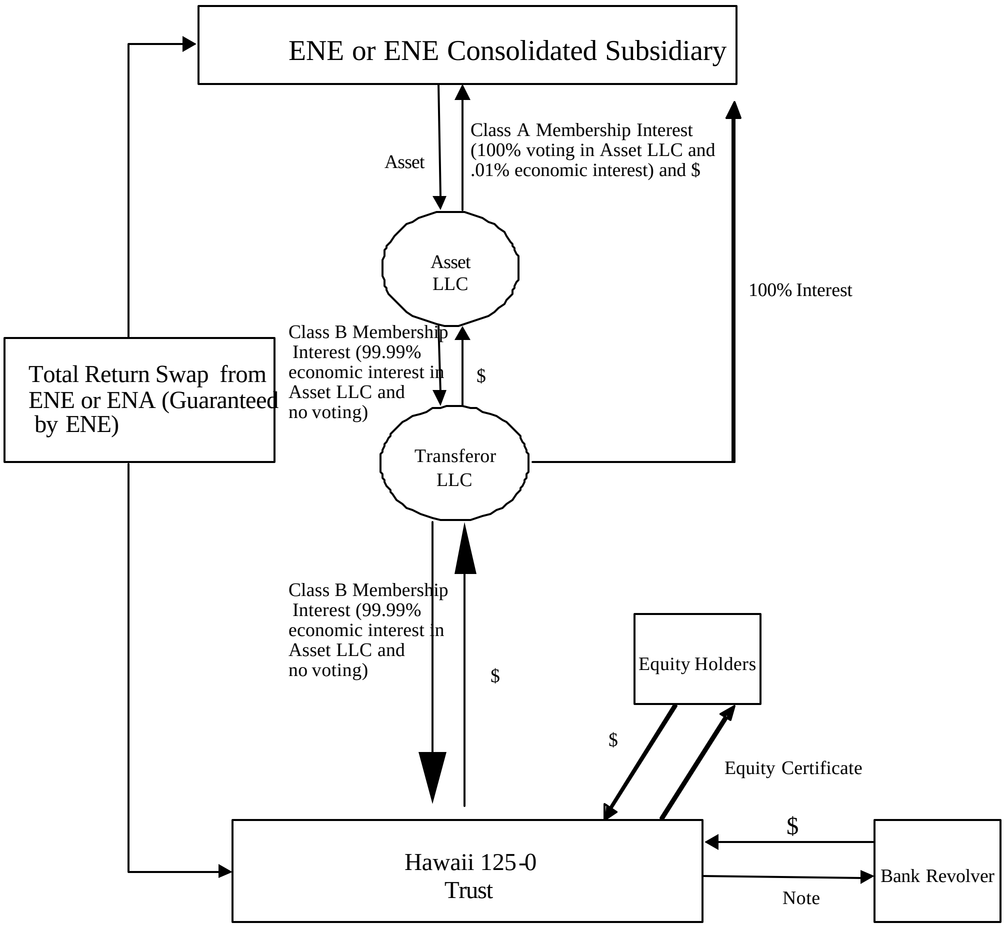
18 $12,733,305 of Series Certificates were issued for Hawaii II and $6 million for Hawaii I.

19 $273,998,298 was drawn under the Hawaii II Credit Facility and $162,431,816 was drawn under the Hawaii I Credit Facility.

b. Structure Diagram as of Initial Petition Date.



ENE or ENE Consolidated Subsidiary
Asset
Class A Membership Interest (100% voting in Asset LLC and .01% economic interest) and $
Asset LLC
100% Interest
Class B Membership Interest (99.99% economic interest in Asset LLC and no voting)
$
Total Return Swap from ENE or ENA (Guaranteed by ENE)
Transferor LLC
Class B Membership Interest (99.99% economic interest in Asset LLC and no voting)
$
Equity Holders
$
Equity Certificate
$
Hawaii 125-0 Trust
Bank Revolver
Note

c. Significant Assets Associated with the Structure.

(i) Series McGarret Q. McGarret III, L.L.C., as the Asset LLC, holds a Special Warrant to purchase 2,791,800 shares of non-voting common stock of New Power Holdings, Inc. at a price of $0.05 per share.

(ii) Series McGarret R. McGarret II, L.L.C., as the Asset LLC, holds a Special Warrant to purchase 8,458,200 shares of non-voting common stock of New Power Holdings, Inc. at a price of $0.05 per share.

(iii) Series McGarret S. McGarret I, L.L.C., as the Asset LLC, holds a Special Warrant to purchase 6,766,400 shares of the non-voting common stock of New Power Holdings, Inc. at a price of $0.05 per share.

(iv) Series McGarret I. McGarret VIII, L.L.C., as the Asset LLC, holds a Class C Membership Interest in EBS Content Systems L.L.C.

(v) Series McGarret J. McGarret X, L.L.C., as the Asset LLC, holds a Class A Membership Interest in LE Hesten Energy LLC.

(vi) **Series McGarret L.** McGarret XII, L.L.C., as the Asset LLC, holds a Series A Porcupine Certificate of Tahiti Trust in the amount of $30 million representing a fractional interest in a $259,212,085 Porcupine Note made payable to Pronghorn I, LLC by Porcupine I LLC.

(vii) **Series McGarret T.** McGarret XI, L.L.C., as the Asset LLC, holds 100% of the outstanding shares of common stock in CGas Inc.

(viii) **Series McGarret U.** McGarret XIII, L.L.C., as the Asset LLC, holds a Series Porcupine B Certificate of Tahiti Trust in the amount of $20 million, which represents a fractional interest in a $259,212,085 Porcupine Note made payable to Pronghorn I, LLC by Porcupine I LLC.

(ix) **Series McGarret V.** McGarret VI, L.L.C., as the Asset LLC, holds a Class B Certificate representing a $15 million beneficial interest in European Power Limited Company. The Amended and Restated Trust Agreement of European Power Limited Company controls the transfer of this Class B Certificate. Enron European Power Investor LLC, as the Sponsor, remains the record holder of this certificate. The Sponsor is required to transfer legal title to the certificate upon request by the Asset LLC.

d. Significant Potential Liabilities of the Structure. The amount outstanding under the Hawaii I Credit Facility is approximately $162 million. The amount outstanding under the Hawaii II Credit Facility is approximately $274 million.

e. Significant Potential Liabilities of Debtors. Under the swap agreements, ENA, where it is a party to such agreements, and ENE, as swap counterparty or guarantor, may be obligated for the difference between the amounts received by Hawaii I or Hawaii II in asset sales or other distributions from assets, and the amounts outstanding under the Credit Facilities.

28. Inauguration/Eletrobolt

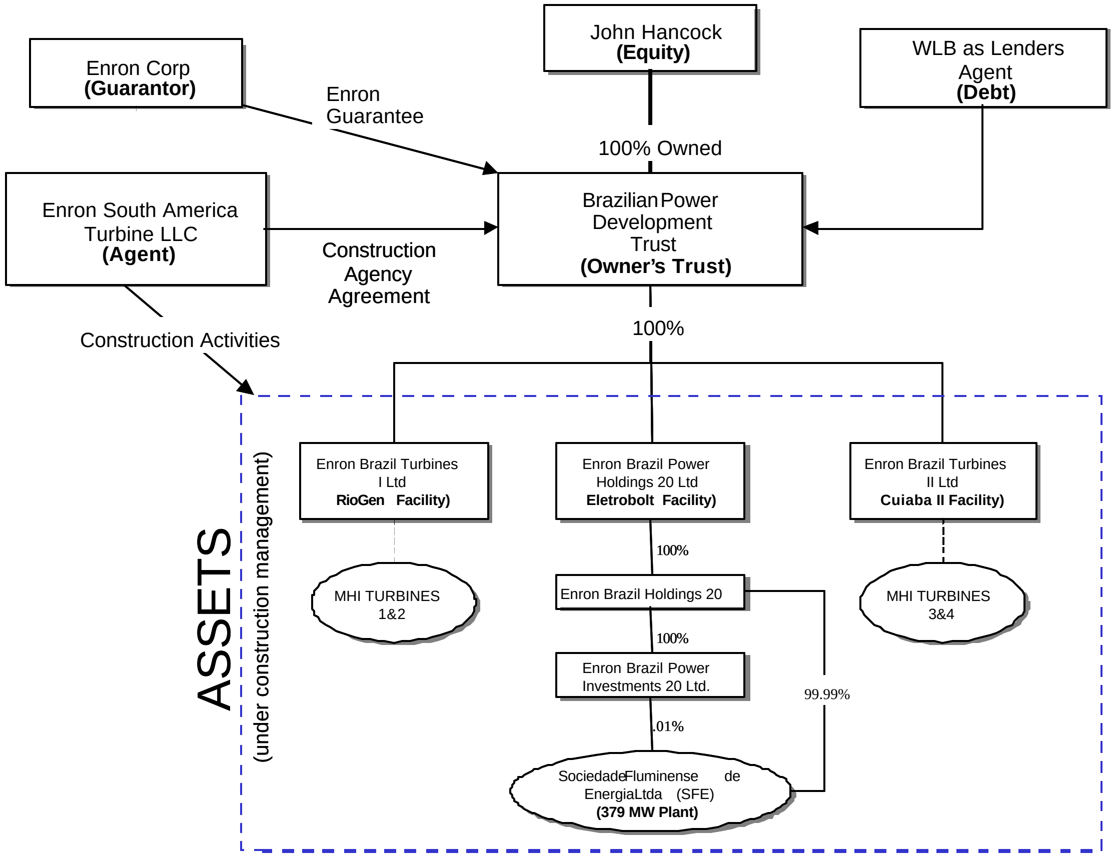
a. Legal Structure. Project Inauguration is a $475 million, 20-month term facility set up in December 2000 to (1) finance, develop, and construct Eletrobolt in the State of Rio de Janeiro, Brazil and (2) order for purchase four MHI natural gas turbines, two each of which were to be used in the development of the RioGen and Cuiabá II power plant projects in Brazil. Project Inauguration was set up to satisfy accounting requirements to allow off-balance-sheet treatment of certain types of construction loans.

Project Inauguration was effected through a construction agency agreement between BPDT, ESAT, an indirect wholly owned subsidiary of ENE, and Wilmington (BPDT's administrative agent). The owner of the Eletrobolt project and the RioGen and Cuiabá II assets is BPDT, which is not an ENE affiliate. BPDT funded the construction of Eletrobolt and the purchase of the MHI turbines by issuing membership interests to John Hancock Life Insurance Company (3% of the funding) and through a credit agreement by issuing secured notes to a syndicate of 17 banks led by West LB (97% of the funding). The notes are secured by a pledge of all assets (Eletrobolt and the MHI turbines) and the collateral assignment of BPDT's rights under an ENE guaranty. BPDT appointed ESAT as its agent to oversee the planning, engineering and construction of both Eletrobolt and the MHI turbines.

ENE provided a guaranty for ESAT's performance. Per accounting rules, the guaranty is limited to 89.9% of amounts outstanding, but increases to 100% under certain circumstances such as a bankruptcy filing by ENE.

Under the construction agency agreement, ESAT (on the earlier of (i) the August 31, 2002 maturity date or (ii) prior to or at completion of Eletrobolt) had the option to repurchase the entire Project Inauguration, Eletrobolt itself, or the MHI turbines. In the event that ESAT exercised the purchase option for the entire Project Inauguration, the purchase price would be equal to an amount sufficient to repay the lenders and John Hancock in full. In the event that ESAT exercised the purchase option specifically for either Eletrobolt or the MHI turbines, the purchase price would be an amount sufficient to repay the lenders and John Hancock the outstanding balance remaining on the particular asset plus all other amounts due under any related Project Inauguration documents. In addition to the purchase options, ESAT had the option to lease the entire Project Inauguration, Eletrobolt itself, or the MHI turbines from the Trust for a term of 5 years.

b. Structure Diagram as of Initial Petition Date.



John Hancock
(Equity)
Enron Corp
(Guarantor)
WLB as Lenders Agent
(Debt)
Enron Guarantee
100% Owned
Enron South America Turbine LLC
(Agent)
Brazilian Power Development Trust
(Owner's Trust)
Construction Agency Agreement
Construction Activities
100%
ASSETS
(under construction management)
Enron Brazil Turbines I Ltd
RioGen Facility)
Enron Brazil Power Holdings 20 Ltd
Eletrobolt Facility)
Enron Brazil Turbines II Ltd
Cuiaba II Facility)
100%
MHI TURBINES 1&2
Enron Brazil Holdings 20
MHI TURBINES 3&4
100%
Enron Brazil Power Investments 20 Ltd.
99.99%
.01%
Sociedade Fluminense de Energia Ltda (SFE)
(379 MW Plant)

c. Significant Assets Associated with the Structure. BPDT holds the assets of Project Inauguration (Eletrobolt and the MHI turbines). John Hancock owns 100% of

BPDT. The lenders hold a security interest in the assets and in BPDT's rights under the ENE guaranty.

BPDT has several subsidiary companies that control the day-to-day operations of the assets under Project Inauguration and work with ESAT to implement all construction activities. Specifically, Enron Brazil Power Holdings 20 Ltd. constructs Eletrobolt and also is the parent company of SFE (the company in the Consortium Agreement, described below, that is responsible for converting the natural gas into electricity at Eletrobolt). Enron Brazil Turbines I Ltd. is responsible for oversight of the RioGen power plant project (incorporates 2 of the MHI turbines) and Enron Brazil Turbines II Ltd. is responsible for oversight of the Cuiabá II power plant project (incorporates the remaining 2 MHI turbines).

BPDT also is the beneficiary of a $214.1 million promissory note from ENHBV.

d. Significant Potential Liabilities of the Structure. BPDT is obligated to repay principal and interest on the notes issued to the lenders and yield on the certificates issued to John Hancock. BPDT meets this obligation from payments it receives in connection with ESAT's purchase option exercise, the receipt of proceeds under certain insurable events, and/or the receipt of payments under the 5-year lease option.

As agent for BPDT, ESAT was responsible for supervising and managing the construction of Eletrobolt and the MHI turbines within an agreed-upon budget and time period. ESAT provided the budget, made all requests for money from the lenders and BPDT to pay construction costs, hired all engineers and contractors, and paid all workers. ESAT may indemnify BPDT, the lenders, and certain third parties against harm or loss only for acts or failures to act on ESAT's part.

ESAT's obligations as the agent are guaranteed to BPDT by the ENE guaranty. The lenders have a security interest in BPDT's rights under the ENE guaranty and the assets within Project Inauguration.

If upon the earlier of (i) August 31, 2002, or (ii) the completion of Eletrobolt, the MHI turbines or the entire Project Inauguration, ESAT had not exercised either of the purchase options or the lease option, BPDT could have exercised a remarketing option whereby ESAT would be responsible for performing actions necessary to remarket Project Inauguration to third parties and for paying a deposit amount, supported by the ENE guaranty, equal to 89.9% of the outstanding capital costs of Project Inauguration.

To further market the electricity produced by Eletrobolt, SFE, Petrobras, and ECE entered into a Consortium Agreement whereby Petrobras supplies natural gas to SFE, SFE uses the natural gas to generate electricity, SFE supplies the electricity to ECE, and ECE markets the electricity to Brazilian consumers, collects and accounts the sale proceeds, and makes distributions to all Consortium Agreement parties pursuant to the terms of the Consortium Agreement. The members of the Consortium are SFE, Petrobras and ECE. The Consortium Agreement (and any related marketing arrangements) is completely independent from the construction agency agreement and any other transaction associated with the Project Inauguration financing. In addition, SFE receives an allocation, which consists of a fixed capacity payment (covers fixed costs, debt service, and return on equity) and an energy payment (covers variable costs). Petrobras is responsible for making up any shortfall in the SFE allocation if there are insufficient funds generated from the sale of the electricity. In exchange, Petrobras is paid for the cost of the fuel supplied and 25% of any upside beyond the SFE allocation and the cost of the fuel. ECE sells the electricity either in the spot market or through short-term bilateral contracts. In return for marketing electricity, collecting the funds and keeping track of the accounting, reporting and distribution of the funds pursuant to the Consortium Agreement, ECE gets 75% of any upside beyond the SFE allocation and the cost of the fuel.

SFE owes ENHBV $214.1 million in the form of a promissory note and an import-finance agreement.

e. Significant Potential Liabilities of Debtors. ESAT's obligations as the agent are guaranteed to BPDT by the ENE guaranty. The lenders have a security interest in BPDT's rights under the ENE guaranty and the assets within Project Inauguration

f. Structure Resolution. On June 28, 2002, BPDT, West LB, ESAT, ENE, Enron Brazil Turbines II Ltd., Enron Brazil Turbines I Ltd., and equipment supplier MHI entered into a Settlement Agreement and Mutual Release to resolve the remaining payment and performance obligations under the Cuiabá and RioGen turbine purchase agreements. Following Bankruptcy Court approval, the Settlement Agreement became effective on August 16, 2002.

Under the court-approved Settlement Agreement, MHI released all the parties to the Cuiabá and RioGen turbine purchase agreements from all claims and remaining payment and performance obligations, credited approximately $14.0 million paid to it for the Cuiabá turbines to the remaining $20 million due under the RioGen turbines and in exchange received a one-time payment of $6.0 million from the Trust to complete the RioGen turbines. The Cuiabá turbine purchase agreement was cancelled and BPDT presently has full title and possession of the RioGen turbines. Refer to Section IV.B.4.c., "Mitsubishi Heavy Industries" for further information.

In addition to the prior settlement, on August 21, 2003, all parties to the Construction Agency Agreement, the Credit Agreement, and certain ancillary agreements entered into a Settlement Agreement and Mutual Release to resolve the payment and performance obligations in respect of the Eletrobolt power plant financing. A motion is currently pending before the Bankruptcy Court seeking approval of this Settlement Agreement and Mutual Release. An objection has been filed to the motion and it is anticipated that a hearing will be held on this motion on September 25, 2003. If approved by the Bankruptcy Court, then following the satisfaction of certain conditions precedent, the parties will consummate the Settlement Agreement.

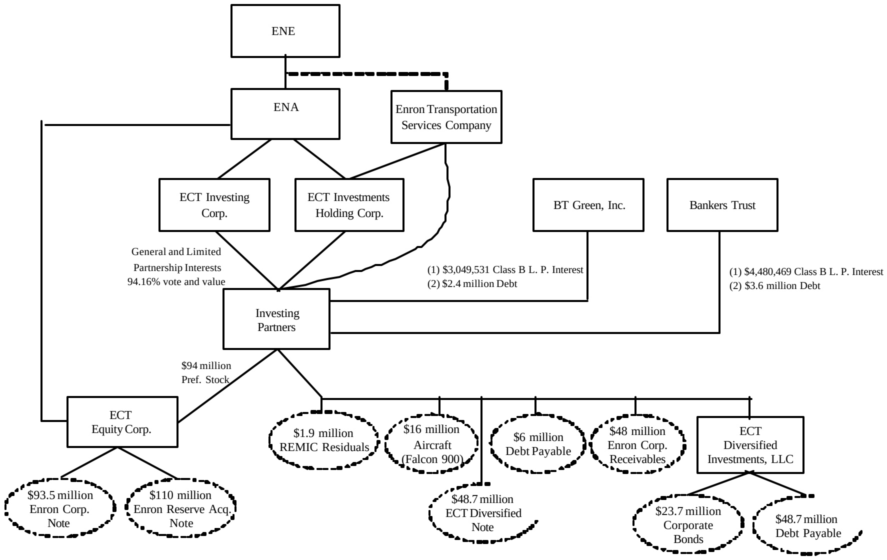
Under the Settlement Agreement, the various Enron parties agree to transfer their interests in the Eletrobolt power plant and the Consortium Agreement to SFE and West LB, as agent for the lenders. ENHBV will transfer the SFE note to West LB in exchange for the cancellation of the note payable by ENHBV to BPDT. Additionally, the Enron parties will receive approximately $11 million in respect of Consortium and ECE marketing activities and certain pledged amounts, and will participate in the monetization of certain receivables in respect of those marketing activities. The Enron parties will release BPDT and West LB, as agent for the lenders, from all liabilities and obligations in respect of the Eletrobolt transaction. The Enron parties receive mutual releases in respect of their obligations, including a release of ENE's guaranty of ESAT's obligations as agent for BPDT.

29. Investing Partners/Steele

a. Legal Structure. During 1997, ENE and BT (and its affiliates) formed Investing Partners to acquire and manage a portfolio of financial assets, including residual real estate mortgage interests, certain aircraft assets, ENE intercompany notes, equity interests of ENE affiliates, and corporate bonds.

At or around the date of formation, Investing Partners borrowed $51.2 million from ENA and purchased $51.2 million of investment grade corporate bonds from BT. ENE indirectly contributed to Investing Partners, through its subsidiaries (ECT Investing Corp., ECT Investments Holding Corp., and ETS), $42.8 million of cash, an aircraft subject to debt of $42.6 million, preferred stock in ECT Equity Corp., and various intercompany receivables. The ENE subsidiaries received general and limited partnership interests in Investing Partners representing approximately 94.16% of the voting power and value of Investing Partners. BT and its affiliates became limited partners in Investing Partners and contributed $4.4 million of cash and $7.5 million of REMIC residual interests to Investing Partners. BT and its affiliates received limited partnership interests representing 5.84% of the voting power and value of Investing Partners and $4.5 million of Investing Partners debt securities.

b. Structure Diagram as of Initial Petition Date.


ENE
ENA
Enron Transportation Services Company
ECT Investing Corp.
ECT Investments Holding Corp.
BT Green, Inc.
Bankers Trust
General and Limited Partnership Interests 94.16% vote and value
(1) $3,049,531 Class B L. P. Interest
(2) $2.4 million Debt
(1) $4,480,469 Class B L. P. Interest
(2) $3.6 million Debt
Investing Partners
$94 million Pref. Stock
ECT Equity Corp.
$1.9 million REMIC Residuals
$16 million Aircraft (Falcon 900)
$6 million Debt Payable
$48 million Enron Corp. Receivables
ECT Diversified Investments, LLC
$93.5 million Enron Corp. Note
$110 million Enron Reserve Acq. Note
$48.7 million ECT Diversified Note
$23.7 million Corporate Bonds
$48.7 million Debt Payable

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Investing Partners' significant assets included $48 million of ENE intercompany receivables, various intercompany receivables of other ENE affiliates (including Debtors and non-Debtors) in the aggregate amount of $16 million, residual REMIC interests, $94 million in preferred stock of ECT Equity Corp., a corporate aircraft with a net book value of $16 million, and 100% membership interest in ECT Diversified Investments, L.L.C., whose primary asset is $24 million in corporate bonds.

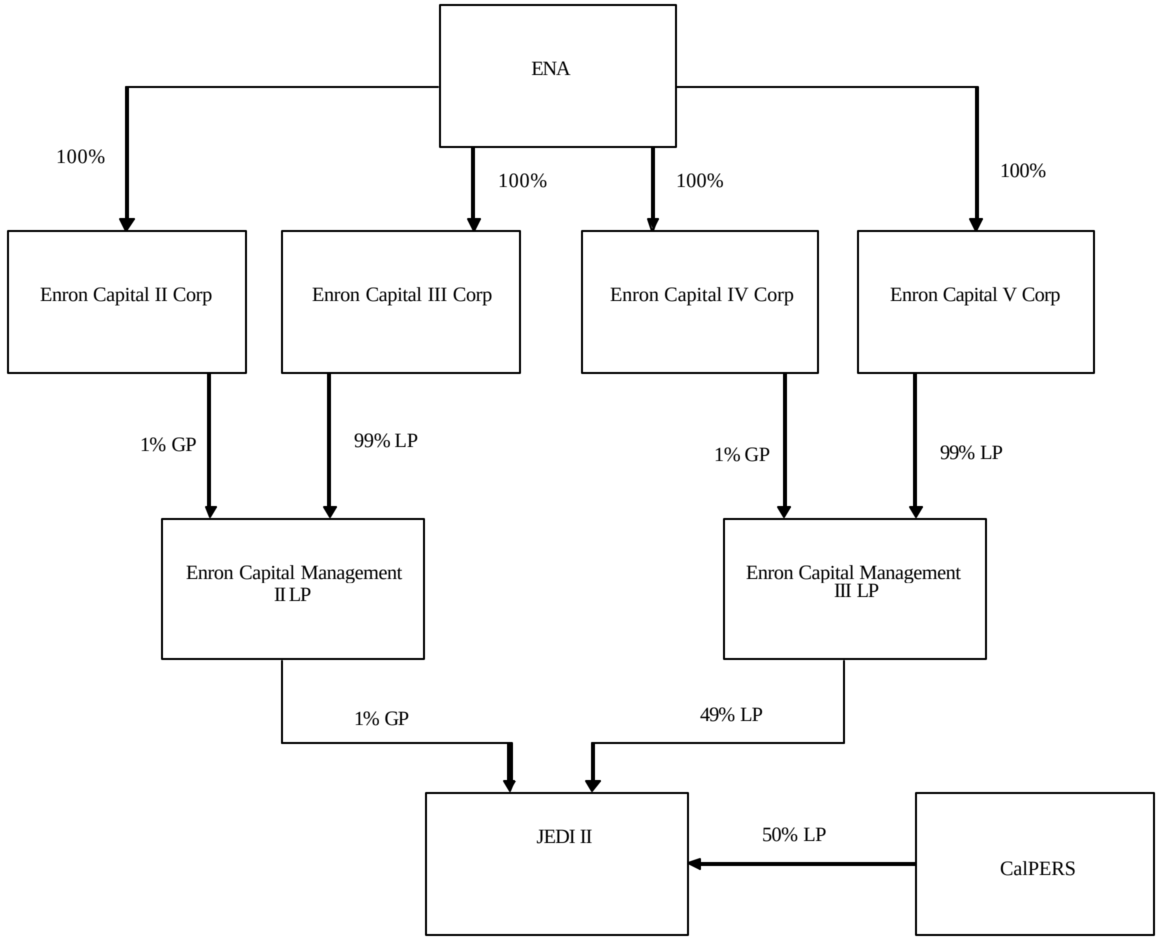
d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, Investing Partners' significant liabilities included $6 million zero coupon debt to BT, various intercompany payables, and BT's $8 million limited partnership interest.

e. Significant Potential Liabilities of Debtors. ENE guaranteed various obligations of the ENE affiliates in the structure, including Investing Partners' obligations under the debt securities issued to BT and its partnership agreement. In addition, ENE entered into various put agreements with BT and its affiliates requiring, under certain circumstances, ENE to purchase recapitalization notes issued by Investing Partners to BT after a recapitalization of Investing Partners. Such recapitalization of Investing Partners would convert BT's outstanding debt and equity interests in Investing Partners into debt securities of Investing Partners guaranteed by ENE.

30. Joint Energy Development Investments II Limited Partnership

a. Legal Structure. JEDI II was formed in December 1997 as a venture capital partnership for the purpose of (i) acquiring, owning, holding, making, participating in, exercising rights with respect to, and disposing of certain qualified investments with the purpose of achieving a target pre-tax internal rate of return on aggregate capital invested of 20%, and (ii) subject to certain other limitations (primarily based on concentration limits, geography, and risk) to engage in any other business activity necessary or incidental to the business purposes set forth above and that was not forbidden by applicable law. Qualified investments are related to natural gas, crude oil, electricity and other forms of energy, as well as an investment in Enron Energy Services, an ENE subsidiary.

b. Structure Diagram



ENA
100%
100%
100%
100%
Enron Capital II Corp
Enron Capital III Corp
Enron Capital IV Corp
Enron Capital V Corp
1% GP
99% LP
1% GP
99% LP
Enron Capital Management II LP
Enron Capital Management III LP
1% GP
49% LP
JEDI II
50% LP
CalPERS

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, JEDI II had approximately $278 million in assets, according to its unaudited year end financial statements.

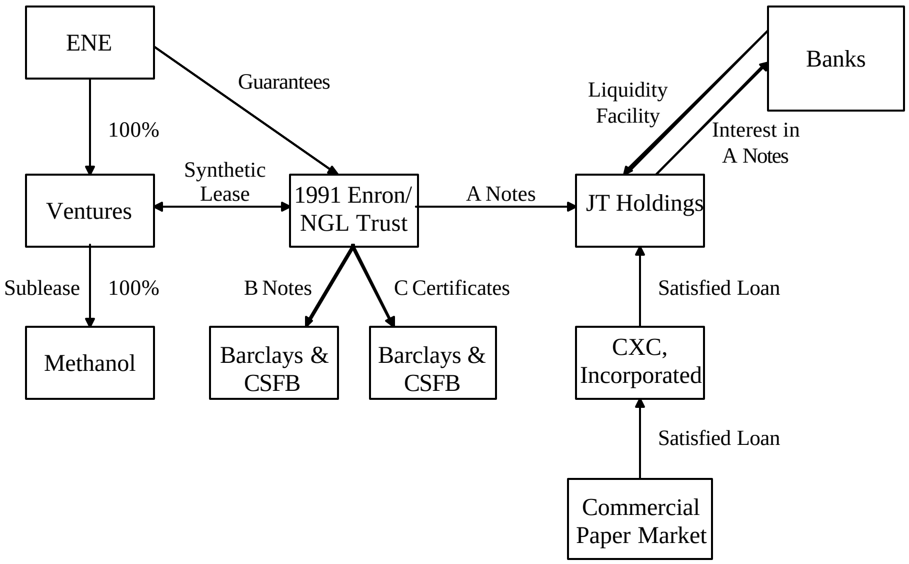
d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, JEDI II had approximately $4 million in liabilities, according to its unaudited year end financial statements.

31. JT Holdings Synthetic Lease

a. Legal Structure. In December 2000, Ventures, a wholly owned ENE subsidiary, refinanced an existing synthetic lease facility guaranteed by ENE covering the two remaining assets in the facility: (i) real property and a methanol plant thereon in Pasadena, Texas, with a termination value of approximately $74 million, and (ii) real property and gas storage facilities thereon in Mt. Belvieu, Texas, with a termination value of approximately $36 million. The refinancing was accomplished by amending the structure documents to, among other things, extend the term of the leases by five years and facilitate the sale and assignment by certain financial institutions of their interests in the structure to certain other financial institutions. In June 2001, the Mt. Belvieu assets were sold for their approximate termination value, reducing the amended $110 million synthetic lease facility to the approximate $74 million covering the Pasadena assets.

The lease covering the Pasadena, Texas property is between State Street (in its capacity as trustee of the 1991 Enron/NGL Trust), as lessor, and Ventures, as lessee. In December 1991, the 1991 Enron/NGL Trust had issued $600 million aggregate principal and stated amounts of Interim Trust Notes, Series A Trust Notes, Series B Trust Notes, and Series C Trust Certificates to finance its acquisition of several assets (including the Pasadena, Texas property), and refinanced these instruments in December 1995. The Series A Trust Notes and Series B Trust Notes were issued to JT Holdings, a SPE unaffiliated with ENE; JT Holdings financed its purchase thereof through CXC Incorporated, a commercial paper conduit affiliated with Citibank, and such financing was backed by a syndicate of financial institutions. Assets were sold from the synthetic lease structure from time to time, and by the December 2000 refinancing, only the Pasadena and Mt. Belvieu, Texas assets remained. The 1991 Enron/NGL Trust restructured the instruments covering these remaining assets in December 2000, issuing (i) new Series A Trust Notes, due on December 6, 2005, to JT Holdings (ENE understands that the indebtedness of JT Holdings to CXC Incorporated has been satisfied and that Citibank, Bank of Tokyo-Mitsubishi, Ltd. and The Bank of Nova Scotia hold interests in the A-Notes through JT Holdings); (ii) the Series B Trust Notes, due on December 6, 2005, to Barclays and CSFB; and (iii) the Series C Trust Certificates, due on expiration or termination of the lease, to Barclays and CSFB.

b. Structure Diagram as of Initial Petition Date.



ENE
Guarantees
100%
Banks
Liquidity Facility
Interest in A Notes
Synthetic Lease
Ventures
1991 Enron/ NGL Trust
A Notes
JT Holdings
Sublease
100%
B Notes
C Certificates
Satisfied Loan
Methanol
Barclays & CSFB
Barclays & CSFB
CXC, Incorporated
Satisfied Loan
Commercial Paper Market

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, the significant assets in this structure consist of real property and a shut down methanol plant thereon located in Pasadena, Texas.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, the following instruments issued by the 1991 Enron/NGL Trust and evidencing an aggregate principal or stated liability of approximately $74 million were outstanding: Series A Trust Notes in the principal amount of approximately $59.2 million, Series B Trust Notes in the principal amount of approximately $12,215,622, and Series C Trust Certificates in an aggregate stated amount of approximately $2,584,378; these debt and equity instruments are interest and yield bearing, respectively.

e. Significant Potential Liabilities of Debtors. During the life of the lease, Ventures has various financial obligations that are guaranteed by ENE, including, but not limited to, payment for rent, insurance, maintenance, and taxes. At the end of the lease, the parties to the structure may have the following three options: (i) refinance the lease; (ii) ENE/Ventures could purchase the assets for the termination value of approximately $74 million, or (iii) if ENE/Ventures neither refinance the lease nor purchase the assets, then the assets might be sold to a third party, and to the extent of any deficiency between the amount of sales proceeds and structure liabilities, ENE might be liable for up to either the residual guarantee amount of approximately $59.2 million or the termination value of approximately $74 million. Application and interpretation of the terms of documents governing this structure will determine the priority of the ultimate distribution of any amounts received in respect of structure liabilities and sales of structure assets among the holders of the Series A Trust Notes, Series B Trust Notes, and Series C Trust Certificates, and Ventures and ENE.

32. K-Star

a. Legal Structure. In June 2001, KStar LP, a limited partnership formed under the laws of Delaware, received cash contributions from its limited partner (99.9999% interest) KStar Trust, a Delaware business trust, and its general partner (0.0001% interest) Maguey, a wholly owned subsidiary of ENA. The cash contributed by KStar Trust as consideration for its limited partner interest in KStar LP was generated from debt and equity issued by KStar Trust to third-party financial institutions.

KStar LP's primary business purpose is to acquire, own, hold, operate, manage, and dispose of a production payment and term overriding royalty interest and to engage in any other activities incidental, necessary, or appropriate to the foregoing. KStar LP used the cash contributions made by its partners in June 2001 to acquire such production payment and royalty interests from an ENA subsidiary that had acquired them from a third party. KStar LP also then entered into (i) interest rate and commodity swaps with ENA who assigned them to SRFP in August 2001, which then contemporaneously entered into similar swaps with ENA, and (ii) two commodity purchase and sale agreements for the sale of crude oil and natural gas to ERAC and ENA Upstream, respectively, each of which are affiliates of ENA.

In June 2001, KStar LP also retained Maguey to act as servicer to perform certain operating activities and as balancer to advance money to KStar LP, subject to certain conditions, should a shortfall occur in amounts owed to KStar LP due to a timing difference between scheduled volumes of commodities to be delivered in a month and actual volumes of commodities delivered in that month. Mescalito, a wholly owned subsidiary of Maguey, replaced Maguey as balancer in August 2001.

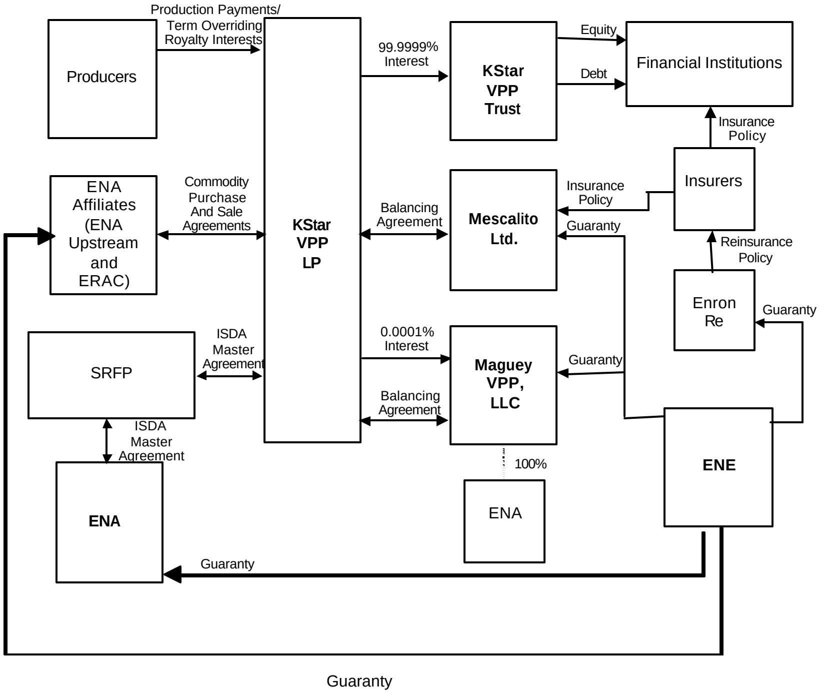
In August 2001, the original noteholder of KStar Trust assigned its debt interests in KStar Trust to another third-party financial institution and KStar Trust obtained an insurance policy from two third-party insurers for the benefit of KStar Trust's new noteholder. The insurance policy covered outstanding principal and interest on the KStar Trust notes held by the noteholder. The insurers also issued an insurance policy for the benefit of Mescalito to insure KStar LP's obligation to reimburse Mescalito for balancing advances. The insurers also issued a policy for the benefit of SRFP to insure KStar LP's payment under the interest rate and commodity swaps.

Contemporaneously with the issuance of the insurance policies, the insurers and Enron Re entered into a reinsurance agreement, pursuant to which Enron Re agreed to pay the first $10 million of claims and 15% of all claims thereafter under the insurance policies.

ENE guaranteed its affiliates' obligations under the applicable transaction documents, except for those of KStar LP.

By letters dated January 3, 2002, KStar Trust, as sole limited partner of KStar LP, (i) notified Maguey of its removal as general partner of KStar LP, effective immediately, asserting that Maguey had materially breached provisions of the amended and restated limited partnership agreement of KStar LP, and (ii) notified KStar LP of such removal and that KStar Trust had elected to continue KStar LP's existence and appoint NoStar, LLC, an entity unaffiliated with ENE, as general partner of KStar LP effective January 4, 2002. By letter dated January 11, 2002, Maguey (i) notified KStar Trust that Maguey was not in material breach of the KStar LP partnership agreement and (ii) recognized the right of KStar Trust to remove Maguey as general partner at KStar Trust's discretion, Maguey offered to waive its right to 30-days prior notice of removal provided that KStar Trust took action and provided notice to Maguey that it was being removed as general partner without cause. KStar Trust did not provide such notice.

b. Structure Diagram as of Initial Petition Date.



Production Payments/ Term Overriding Royalty Interests
Producers
KStar VPP LP
99.9999% Interest
KStar VPP Trust
Equity
Debt
Financial Institutions
Insurance Policy
Insurers
ENA Affiliates (ENA Upstream and ERAC)
Commodity Purchase And Sale Agreements
Balancing Agreement
Mescalito Ltd.
Insurance Policy
Guaranty
Reinsurance Policy
Enron Re
Guaranty
SRFP
ISDA Master Agreement
0.0001% Interest
Maguey VPP, LLC
Guaranty
Balancing Agreement
ISDA Master Agreement
ENE
100%
ENA
ENA
Guaranty
Guaranty

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, KStar LP held a production payment and a term overriding royalty interest, and an ISDA Master Agreement with associated confirmations with SRFP.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, (i) KStar LP owed the delivery of crude oil and natural gas to ENA affiliates, (ii) KStar LP potentially owed a mark-to-market payment to SRFP, assuming the ISDA Master Agreement between SRFP and KStar LP had been terminated, (iii) KStar LP may have had cash distribution obligations to its contractual counterparties, including, without limitation, Maguey, Mescalito, ENA Upstream, ERAC, and KStar Trust, and (iv) KStar Trust may have had cash distribution obligations to the holders of debt and equity instruments issued by KStar Trust to third-party financial institutions.

e. Significant Potential Liabilities of Debtors. SRFP delivered a Notice of Event of Default and Designation of Early Termination Date of December 3, 2001 in respect of the ENA-SRFP ISDA Master Agreement and associated confirmations which include, without limitation, those related to this structure under which ENA may have exposure to SRFP; SRFP asserted an aggregate loss of approximately $41.8 million under the ISDA Master Agreement, some portion of which may be related to this structure. Claims may be made against ENA Upstream and ERAC under commodity purchase and sale agreements with KStar LP. Additionally, ENE has guaranteed the obligations of ENA, Mescalito, Maguey, ENA Upstream, ERAC, and Enron Re under various agreements between these entities and KStar LP and the third-party insurers.

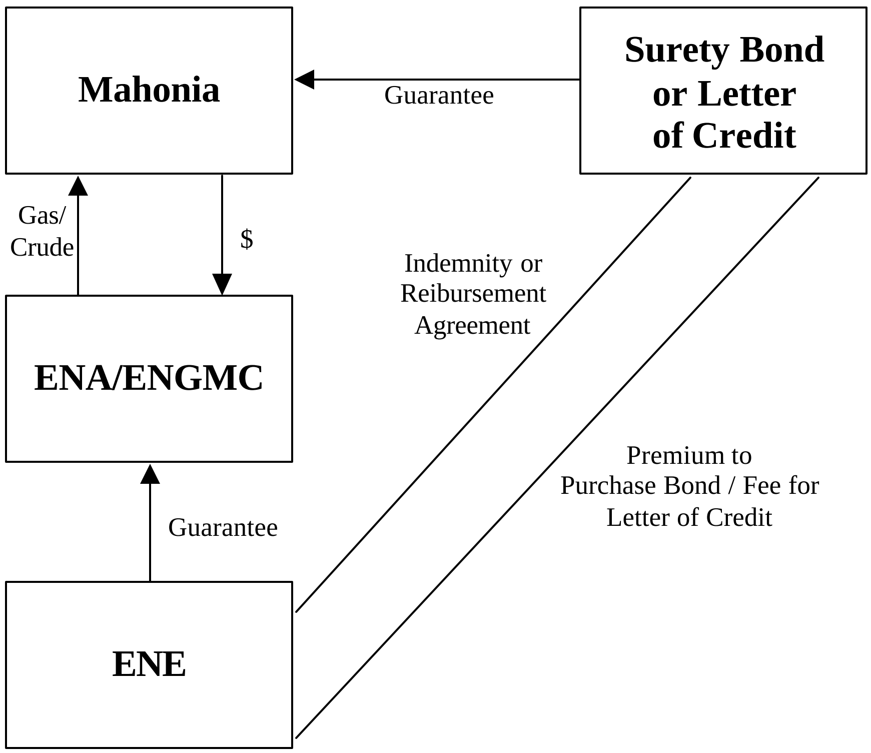
33. Mahonia Prepaid Forward Contracts

a. Legal Structure. For a number of years prior to the Initial Petition Date, ENA and ENGMC entered into prepaid forward contracts with Mahonia Ltd. and Mahonia Natural Gas Ltd. Under each prepaid forward contract, ENA or ENGMC agreed to either (i) deliver a fixed volume of natural gas or crude oil, or (ii) make a payment based on a fixed price for natural gas in return for a lump sum cash payment. ENE guaranteed the obligations of its subsidiaries that entered into the prepaid forward contracts with Mahonia. The prepaid forward contracts with Mahonia that remained open as of the Initial Petition Date are as follows:

ENE Company	Date Executed	Notional Value at Closing	Mark-to-Market Value at 12/03/01
ENGMC	12/18/1997	$299,991,679	8,166,574
ENGMC	6/26/1998	250,000,000	50,797,539
ENGMC	12/01/1998	249,994,352	96,391,022
ENGMC	6/28/1999	499,999,986	391,061,132
ENA	6/28/2000	649,999,352	627,291,618
ENA	12/28/2000	330,403,325	253,151,919
ENA	9/28/2001	350,000,000	338,880,229

ENA and ENGMC also entered into contracts to hedge exposure under each of the prepaid forward contracts; many of the hedge contracts were entered into with JPMCB. ENE secured, for the benefit of Mahonia, either a surety bond or letter of credit to guarantee the payment of ENE.

b. **Structure Diagram as of Initial Petition Date**.



Mahonia
Guarantee
Surety Bond or Letter of Credit
Gas/ Crude
$
Indemnity or Reibursement Agreement
ENA/ENGMC
Premium to Purchase Bond / Fee for Letter of Credit
Guarantee
ENE

c. **Significant Liabilities of Debtor.** ENA and ENGMC are obligated under the prepaid forward contracts and ENE guaranteed those obligations. ENE also has reimbursement or indemnification obligations under the surety bonds and letter of credit.

34. Maliseet/Cochise

a. **Legal Structure**. In January 1999, ENE recapitalized an existing subsidiary and renamed it Maliseet. Maliseet elected to be a REIT.

ENE purchased a diversified portfolio of publicly traded mortgage securities for approximately $25 million from BT Green, Inc., an affiliate of BT (now part of DB), and contributed them to Maliseet. ENE received voting and non-voting preferred stock of Maliseet. Concurrently, ENE sold 1,000 shares of the common stock of Maliseet to BT.

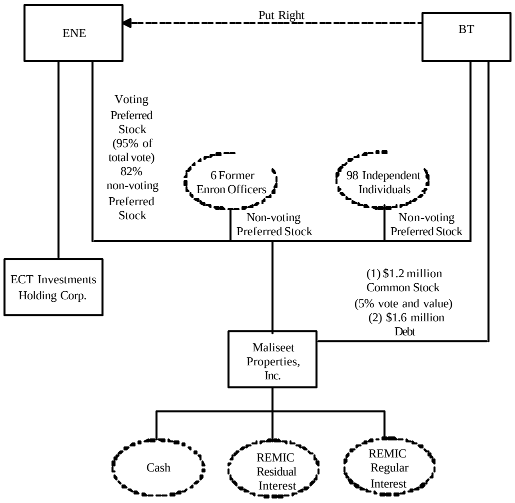
BT contributed to Maliseet (i) a diversified portfolio of publicly traded mortgage securities valued at approximately $2.7 million and (ii) securities representing the residual interest in certain real estate mortgage investment conduits with an agreed value of $165,000.

BT received, in return, 1,000 shares of common stock of Maliseet and a zero-coupon promissory note for the net carrying amount of $1.6 million.

In addition, ENE sold non-voting preferred stock of Maliseet of nominal value to 98 independent investors and six individuals who were then officers of ENE and Maliseet.

Simultaneously with the REIT transactions, ECT Investments Holding Corp., an ENE subsidiary, purchased the beneficial interest in a trust holding two commercial aircraft from BT for $44 million. The aircraft were on long-term lease to unrelated lessees.

b. Structure Diagram as of Initial Petition Date.


ENE
Put Right
BT
Voting Preferred Stock (95% of total vote) 82% non-voting Preferred Stock
6 Former Enron Officers
98 Independent Individuals
Non-voting Preferred Stock
Non-voting Preferred Stock
ECT Investments Holding Corp.
(1) $1.2 million Common Stock (5% vote and value) (2) $1.6 million Debt
Maliseet Properties, Inc.
Cash
REMIC Residual Interest
REMIC Regular Interest

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Maliseet's significant assets consisted of $9 million in cash, $21 million in publicly traded mortgage securities, and REMIC residual interests.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, Maliseet's significant liabilities included deferred compensation and pension liabilities with a net present value of approximately $8 million and a $1.9 million zero coupon debt payable to BT.

e. Significant Potential Liabilities of Debtors. Under the terms of the transaction documents, ENE is obligated to cause Maliseet to effect a recapitalization at any time on or after January 28, 2004 if requested by a 1% holder of preferred or common stock. Upon such recapitalization, the Maliseet common stock and the promissory note held by BT would be exchanged for debt securities of Maliseet, referred to as recapitalization notes. Such recapitalization notes would be guaranteed by ENE. Maliseet may have a claim against ENE for the amount of the deferred compensation and pension liabilities described in subsection d. above.

35. Margaux

a. Legal Structure. At the inception of the transaction, ENE entered into a fixed/floating swap with a Whitewing entity (Pelican Bidder LLC) that was tied to the operating performance of three power projects: Sarlux (Italy), Trakya (Turkey), and Nowa Sarzyna (Poland). The risks transferred by these swaps were:

Sarlux:	limited operating risks, regulatory risks, and revenue indexation mismatches;
Trakya:	limited operating risks, limited country risks;
Nowa Sarzyna:	limited operating risks

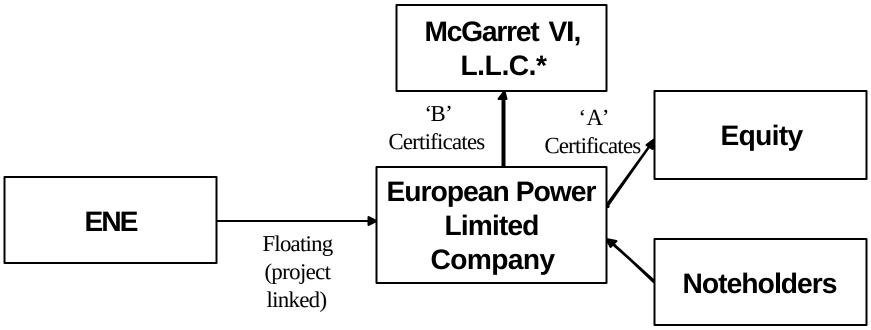
Floating payments from ENE to Pelican Bidder LLC were based on the underlying risks of the plants outlined above; however, these payments were capped at the expected operating performance levels of the facilities. As such, the floating payments could only decline relative to the initial expected payment stream. Semi-annual payments due under the floating leg of the swap were determined by a periodic analysis of the value of the hedged risks as determined by a third-party engineering firm. On the other side of the swap, a fixed payment schedule from Pelican Bidder LLC to ENE was established on the date the swap was executed.

Subsequent to the execution of the swap, Pelican Bidder LLC sold its rights to the floating payments from ENE to EPLC, a trust established for the purpose of executing the Margaux transaction. Using the proceeds from the issuance of A certificates ($30 million, $10 million of which were issued to LJM2-Margaux), non-voting B certificates ($15 million, sold to Enron European Investor LLC), and privately placed notes ($95 million, due 2010), EPLC paid Pelican Bidder LLC $121 million for its interest in the swap.

In November 2000, Pelican Bidder LLC settled its fixed payment obligation under the swap by paying ENE $132.3 million. As a result, the only remaining obligation under the swap is ENE's floating payment obligation to EPLC. In December 2000, Enron European Investor LLC sold its B Certificates to McGarret VI, L.L.C. (Refer to Section III.F.27., "Hawaii" for further information) for $51.8 million.

Cash generated by the swap with ENE is distributed by EPLC as follows: (1) first cash is dedicated to the noteholders ($95 million principal + accrued interest + make-whole, if any); (2) after the noteholders are repaid, the excess is dedicated, on a pro-rata basis, to the A-certificate holders and the B-certificate holders ($45 million investment + accrued yield + make-whole, if any); (3) the excess, if any, is payable to the B-certificate holders.

b. **Structure Diagram as of Initial Petition Date**.



Refer to Section III.F.27., "Hawaii" for further information.

c. **Significant Assets Associated with the Structure**. EPLC's only asset is ENE's payment obligation under the swap as described above.

d. **Significant Potential Liabilities of the Structure**. EPLC issued $95 million in notes and $45 million in certificates to fund its purchase of Pelican Bidder LLC's interest in the swap with ENE.

e. **Significant Potential Liabilities of Debtors**. ENE's obligations under the swap as described above.

36. **Marlin**

a. **Legal Structure**. In 1998, ENE formed Azurix, a holding company incorporated in Delaware. In December 1998, ENE contributed its stock in Azurix to Atlantic. ENE holds a 50% beneficial interest in Atlantic, as well as 100% of the cumulative preferred stock of Azurix. The remaining 50% beneficial interest in Atlantic is held by Marlin. Marlin is owned by certain certificate holders and it has issued approximately $475 million and €515 million (total approximately $915 million) in bonds.[20] Although each of ENE and Marlin has the right to appoint 50% of the boards of Atlantic and Azurix, to date, only ENE has exercised its right to appoint these directors.

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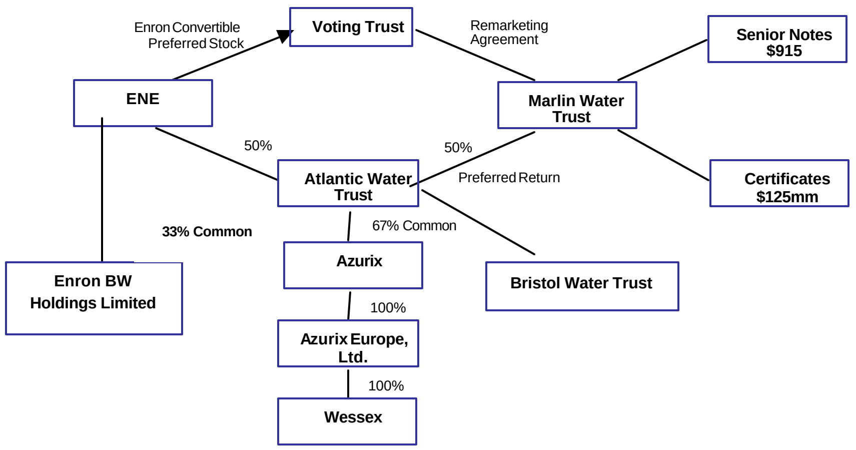
20 The amount outstanding may change based on currency fluctuations.

When ENE contributed its interest in Azurix to Atlantic in 1998, it also contributed £73 million in the form of indebtedness owed to it by Azurix's wholly owned subsidiary, Azurix Europe. Atlantic then contributed that receivable to its wholly owned subsidiary, Bristol. Azurix Europe paid interest on this obligation in June and December of each year commencing 1999. Azurix Europe repaid this debt in its entirety, including accrued interest, in December 2001.

A portion of the funds raised by Marlin from the issuance of certificates and notes was contributed to Bristol to be invested in ENE debt securities. The principal and interest payments on such investments were used to fund the interest payments on the notes and the required yield on the certificates issued by Marlin.

In 1999, in an initial public offering, Azurix sold 33-1/3% of its common stock to the public. In 2001, ENE, through its wholly owned subsidiary Enron BW Holdings Limited, acquired the common stock of Azurix previously held by the public. The remainder of the common stock of Azurix is owned by Atlantic.

b. Structure Diagram as of Initial Petition Date.



Enron Convertible Preferred Stock
Voting Trust
Remarketing Agreement
Senior Notes $915
ENE
Marlin Water Trust
50%
50%
Atlantic Water Trust
Preferred Return
Certificates $125mm
33% Common
67% Common
Azurix
Bristol Water Trust
Enron BW Holdings Limited
100%
Azurix Europe, Ltd.
100%
Wessex

c. Significant Assets Associated with the Structure. Azurix has been engaged in the business of owning, operating, and managing water and wastewater assets and providing water- and wastewater-related services. However, Azurix has recently undertaken an effort to sell many of its assets. On November 7, 2001, Azurix sold Azurix North America Corp. and Azurix Industrials Corp., through which it conducted its North American operations. On May 21, 2002, Azurix completed the sale of Wessex, its subsidiary operating in southwestern England. Currently, Azurix is in the process of liquidating its assets and winding up the remainder of its business affairs. Refer to Section IV.B.5., "Asset Sales" for further information regarding the Azurix-Wessex sale.

d. Significant Potential Liabilities of the Structure. Marlin issued $475 and €515 million (total $915 million) of bonds and $125 million of certificates.

e. Significant Potential Liabilities of Debtors. ENE committed to cause the sale of ENE convertible preferred stock in certain instances, including if the $915 million bonds of Marlin were defaulted upon. Because the sale of the convertible preferred stock did not occur ENE is contractually obligated to redeem the bonds in full, less any proceeds Marlin receives from the liquidation of Atlantic's assets. Bristol holds ENE notes of approximately $125 million including principal and interest accrued prior to the Initial Petition Date. ENE is the counterparty to a currency option agreement with Bristol to convert £73 million to $125 million. Refer to Sections VIII.D., "Description of Capital Stock, Board of Directors and Director and Officer Indemnification" and IV.C.1.f(v), "Other Pending Litigation or Arbitrations" for further information.

f. Structure Resolution. On August 7, 2003, the Bankruptcy Court approved a settlement agreement and mutual release among ENE, the Creditors' Committee, Bank of New York in its capacity as the Indenture Trustee for the Marlin Notes, and several Marlin noteholders. Pursuant to the settlement agreement, among other things, (i) the proof of claim filed by the Indenture Trustee will be allowed as a General Unsecured Claim against ENE in the approximate amount of $507.5 million, (ii) ENE and the Creditors' Committee agreed to withdraw their objections to the payment by the Indenture Trustee of the approximately $109 million held by Marlin to the noteholders, (iii) ENE caused Azurix to pay the Indenture Trustee $18,666,234.73 under a promissory note from Azurix to Atlantic, and (iv) the parties to the settlement agreement agreed to various releases related to the Marlin transaction.

37. Motown

a. Legal Structure. DPC, an unrelated third party, indirectly acquired a 50% ownership interest in each of MPLP and Ada Cogen. Ada Cogen and MPLP are project companies that own 29.4-MW and 129-MW gas-fired, combined-cycle power plants in Michigan.

DPC's wholly owned subsidiary, WPE, entered into the WPE loan agreement to finance a portion of its acquisition of the interests in MPLP and Ada Cogen. Contemporaneous with the WPE loan agreement, DPC White Pine, the direct 100% parent of WPE, and KBC, the agent to the financial institutions party to the WPE loan agreement, entered into the DPC White Pine option agreement, whereby KBC, as agent, was granted an irrevocable option to purchase all of DPC White Pine's interest in WPE.

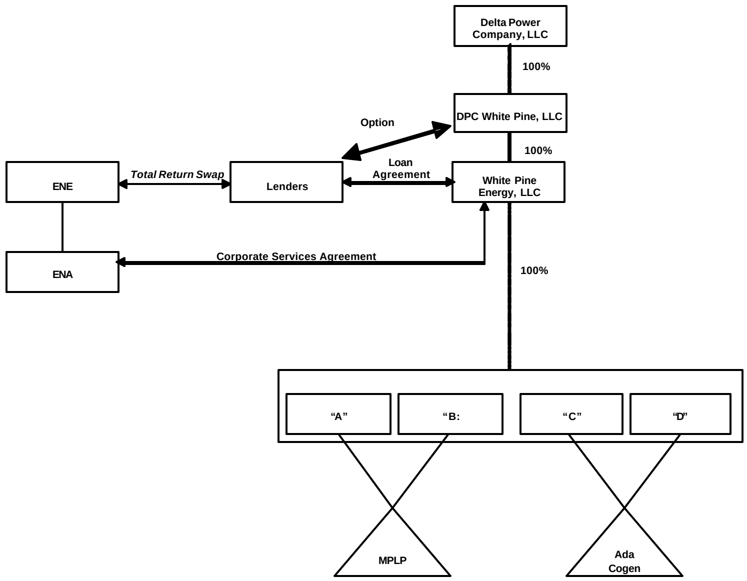
Also contemporaneous with the execution of the WPE loan agreement and the DPC White Pine option agreement, ENE entered into the Motown swap with KBC, in its capacity as agent for the financial institutions, pursuant to which ENE was granted an irrevocable option to purchase (i) the interest in the obligations of WPE under the WPE Loan

Agreement or (ii) the interest in WPE obtained through the exercise of the purchase option under the DPC White Pine option agreement.

Also under the Motown swap, ENE agreed to make fixed quarterly payments to KBC equal to the cost of carry on the principal amount outstanding under the WPE loan agreement, plus the commitment fee for a revolving credit commitment under the WPE loan agreement. KBC agreed to make quarterly payments to ENE of all amounts received from WPE in respect of the loans made under the WPE loan agreement. The Motown swap also provided that upon the maturity or acceleration of the loans under the WPE loan agreement, ENE will pay to KBC all principal, interest, and other sums due to KBC on such date, and KBC will pay to ENE all monies received from WPE in respect of the loans as of such date.

Additionally, WPE and ENA entered into two agreements associated with WPE's indirect ownership interests in MPLP and Ada Cogen: (a) a corporate services agreement whereby ENA is to provide, either itself or through affiliates or subcontractors, corporate, administrative, staffing and project and asset management support services; and (b) a consulting services agreement whereby WPE is to provide consulting services to ENA on matters relating to the development and implementation of energy strategies in Michigan.

b. Structure Diagram as of Initial Petition Date.


Delta Power Company, LLC
100%
DPC White Pine, LLC
Option
100%
Loan Agreement
ENE
Total Return Swap
Lenders
White Pine Energy, LLC
Corporate Services Agreement
ENA
100%
"A"
"B:
"C"
"D"
MPLP
Ada Cogen

c. Significant Assets Associated with the Structure. MPLP owns a 129-MW gas-fired electric generating facility and Ada Cogen owns a 29.4-MW gas-fired electric generating facility, both located in Michigan.

d. Significant Potential Liabilities of the Structure. The lenders to WPE had outstanding approximately $63.1 million.

e. Significant Potential Liabilities of Debtors. ENE's payment obligations under the Motown Swap.

38. Nikita

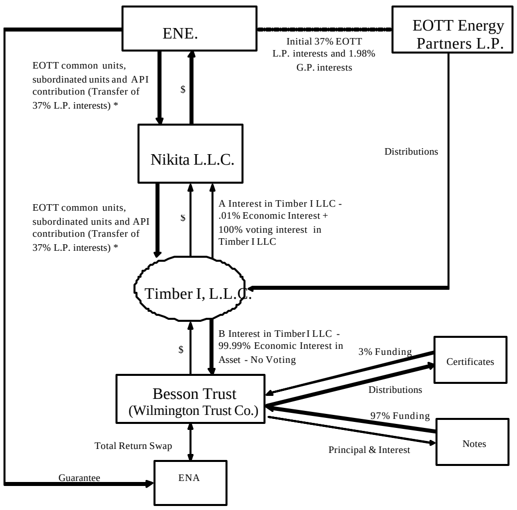
a. Legal Structure. On September 28, 2001, Nikita, an indirect wholly owned subsidiary of ENE, contributed 3,276,811 EOTT common units, 7,000,000 EOTT subordinated units, and $9,318,213 of EOTT additional partnership interests to Timber. In exchange for such contribution, Nikita received a Class A membership interest in Timber and a right to receive a special distribution on the closing date after the execution of the limited liability company agreement of Timber. The Class A Interest represents 100% of the voting interest and a .01% economic interest in Timber. However, Nikita may not cause Timber to take certain actions, including to sell, or otherwise dispose of, the EOTT interests described above without the consent of Besson Trust.

Timber issued a Class B membership interest to Besson Trust, a Delaware business trust. As consideration for the Class B Interest, Besson Trust paid an aggregate cash purchase price of $80 million. The Class B Interest is generally non-voting and represents a 99.99% economic interest in Timber.

Besson Trust financed its acquisition of the Class B Interest through the issuance of its certificate of beneficial interest to CSFB for cash consideration equal to $8,135,000. Yield accrues on the certificate of beneficial interest at an aggregate rate equal to 15% per annum. CSFB subsequently assigned its interest in the certificate of beneficial interest to its affiliate, DLJ. Besson Trust further financed its purchase of the Class B Interest through a credit facility, dated September 28, 2001, among Barclays, as administrative agent, and the lenders party thereto in the amount of $176,865,000. Barclays was the only lender under the credit facility. Besson Trust used the proceeds from the issuance of the certificate of beneficial interest and $71,865,000 drawn under the credit facility to acquire the Class B Interest in Timber.

ENA and Besson Trust are parties to a total return swap agreement, pursuant to which (A) on each interest payment date under the credit facility (x) ENA pays to Besson Trust all interest and other sums due to the lenders on such date and (y) Besson Trust pays to ENA all monies or other consideration received with respect to the Class B Interest as of such date less any amounts payable on the certificate of beneficial interest on such date, and (B) on the maturity date of the loans under the credit facility, (x) ENA pays to Besson Trust all principal, interest and other sums due to the lenders on such date and (y) Besson Trust pays to ENA all funds on hand at Besson Trust on such date, less any amounts payable to the holder of the certificate of beneficial interest. The lenders have priority over the holder of the certificate of beneficial interest with respect to all distributions to be made by Besson Trust, and consequently the total return swap provides credit support only for the loans under the credit facility. Payments made by ENA to Besson Trust under the total return swap cannot be applied in repaying the certificate of beneficial interest or paying all monies or other consideration received with respect to the Class B Interest as of such date less any amounts payable on the certificate of beneficial interest on such date.

b. Structure Diagram as of Initial Petition Date.



ENE.
EOTT Energy Partners L.P.
Initial 37% EOTT L.P. interests and 1.98% G.P. interests
EOTT common units, subordinated units and API contribution (Transfer of 37% L.P. interests) *
$
Nikita L.L.C.
Distributions
EOTT common units, subordinated units and API contribution (Transfer of 37% L.P. interests) *
$
A Interest in Timber I LLC - .01% Economic Interest + 100% voting interest in Timber I LLC
Timber I, L.L.C.
$
B Interest in Timber I LLC - 99.99% Economic Interest in Asset - No Voting
3% Funding
Certificates
Distributions
Besson Trust (Wilmington Trust Co.)
97% Funding
Notes
Principal & Interest
Total Return Swap
Guarantee
ENA

c. Significant Assets Associated with the Structure. Timber owns the EOTT interests described above. EOTT and certain of its affiliates filed for protection under chapter 11 of the Bankruptcy Code on October 8, 2002 in the Corpus Christi Bankruptcy Court, and announced that the company emerged from chapter 11 effective March 1, 2003, in accordance with the order approving the amended Plan of Reorganization entered on February 18, 2003. Under EOTT's plan of reorganization, the Subordinated Units and Additional Partnership Units were cancelled and extinguished effective March 1, 2003. In exchange for every common unit, Timber will receive .02 units and .05185 warrants to purchase units in EOTT Energy LLC. The warrants have a strike price of $12.50. Refer to Section IV.F., "Related U.S. Bankruptcy Proceedings" for further information on the EOTT bankruptcy.

d. Significant Potential Liabilities of the Structure. Besson Trust is obligated under the credit facility described above.

e. Significant Potential Liabilities of Debtors. ENE, pursuant to a guaranty dated September 28, 2001, guaranteed the payment and performance obligations of ENA under the total return swap.

39. Nile

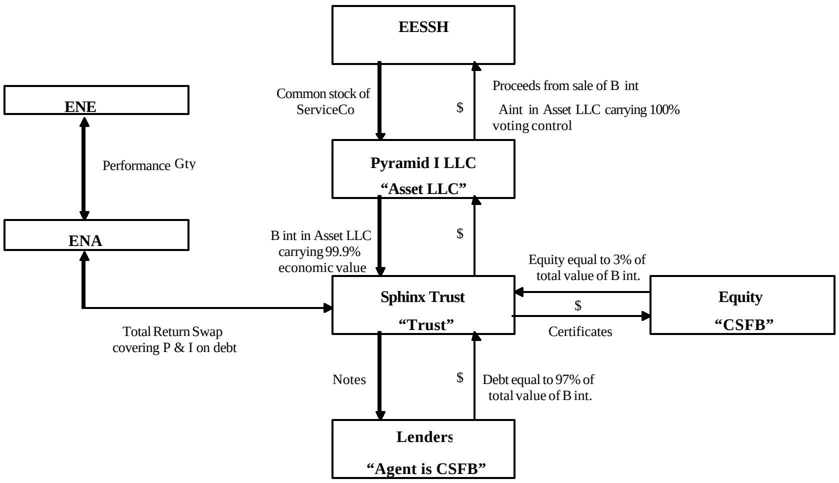
a. Legal Structure. EESSH, an indirect wholly owned subsidiary of ENE, contributed 24,081,551 shares of common stock of ServiceCo to Pyramid I. In exchange for such contribution, EESSH received a Class A membership interest in Pyramid I and a right to receive a special distribution on the closing date after the execution of the limited liability company agreement of Pyramid I. The Class A Interest represents 100% of the voting interest, with certain restrictions, in Pyramid I and a .01% economic interest in Pyramid I.

In order to fund the acquisition of ServiceCo stock, Pyramid I issued a Class B membership interest to Sphinx Trust, a Delaware business trust. As consideration for the Class B Interest, Sphinx Trust paid an aggregate cash purchase price of $25 million. The Class B Interest is generally non-voting and represents 99.99% of the economic interest of Pyramid I.

Sphinx Trust financed its acquisition of the Class B interest through the issuance of its certificate of beneficial interest to DLJ for cash consideration equal to $1,008,793. Yield accrues on the certificate of beneficial interest at an aggregate rate equal to 15% per annum. Sphinx Trust further financed its purchase of the Class B Interest through a credit facility, dated September 28, 2011, among CSFB, as administrative agent, and the lenders party thereto. Currently, CSFB is the only lender under the credit facility. Sphinx Trust used the proceeds from the issuance of the certificate of beneficial interest and $23,991,207 drawn under the credit facility to acquire the Class B Interest in Pyramid I.

Sphinx Trust and ENA are parties to a total return swap agreement, pursuant to which (A) on each interest payment date under the credit facility (on a net basis) (x) ENA pays to Sphinx Trust an amount equal to the shortfall (if any) between (i) distributions received by Sphinx Trust on the Class B Interest and any sales proceeds of the Class B Interest and (ii) principal, interest, and any other amounts payable to the lenders under the credit facility from time to time; and (B) on each payment date under the credit facility (on a net basis) (x) Sphinx Trust pays ENA the excess (if any) of (i) distributions received by Sphinx Trust on the Class B Interest and any sales proceeds of the Class B Interest over (ii) the aggregate of all amounts payable under the credit facility and all scheduled distributions to DLJ. DLJ is subordinate to the lenders in right of payment from Sphinx Trust. As such, the total return swap agreement effectively provides credit support for the lenders but not for DLJ. Payments made by ENA to Sphinx Trust under the total return swap agreement cannot be applied in repaying the certificate of beneficial interest or the Series A Certificate or paying any yield on such certificates.

b. Structure Diagram as of Initial Petition Date.



EESSH
ENE
Performance Gty
ENA
Common stock of ServiceCo
$
Proceeds from sale of B int
Aint in Asset LLC carrying 100% voting control
Pyramid I LLC
"Asset LLC"
B int in Asset LLC carrying 99.9% economic value
$
Equity equal to 3% of total value of B int.
Sphinx Trust
"Trust"
$
Certificates
Equity
"CSFB"
Total Return Swap covering P & I on debt
Notes
$
Debt equal to 97% of total value of B int.
Lenders
"Agent is CSFB"

c. Significant Assets Associated with the Structure. ServiceCo provides HVAC (heating, ventilation, and air conditioning) services and full building facility services to commercial customers nationwide. On April 25, 2003, most of the ServiceCo shareholders, including EESSH and Pyramid I, entered into a Redemption Agreement, providing for the redemption of all or portions of their shares of ServiceCo stock. The initial closing of the Redemption Agreement transactions occurred on June 9, 2003. Following the subsequent consummation of a sale of ServiceCo and/or all or substantially all of ServiceCo's assets, Pyramid I will be entitled to receive a designated amount of cash in exchange for all of the ServiceCo shares held by Pyramid I, based upon the net worth of ServiceCo at the time of such sale. Sphinx Trust, DLJ, and CSFB have consented to Pyramid I's participation in the ServiceCo Redemption Agreement transactions. Refer to Section IV.A., "Significant Postpetition Developments" for further information.

d. Significant Potential Liabilities of the Structure. Sphinx Trust is obligated under the credit facility described above.

e. Significant Potential Liabilities of Debtors. In addition to ENA's obligations described above, ENE, pursuant to a guaranty dated September 28, 2001, guaranteed the payment and performance obligations of ENA under the total return swap agreement.

40. Omaha Office Building Synthetic Lease

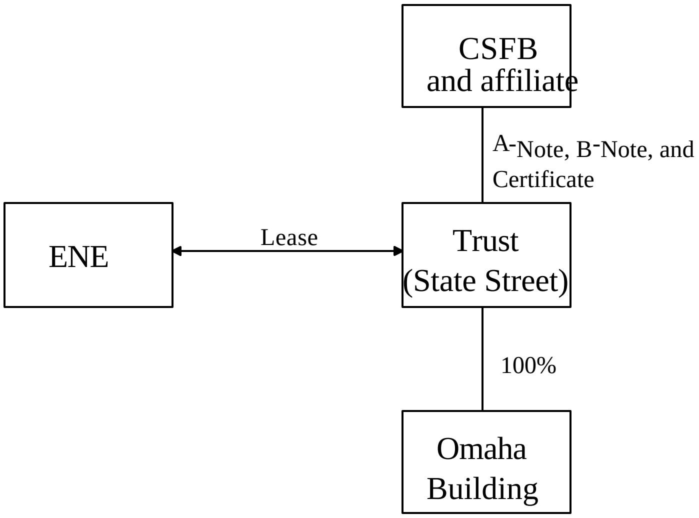
a. Legal Structure. In December 1991, ENE entered into a synthetic lease with State Street covering the Omaha Property, which was owned of record by State Street, as trustee. In July 1997, the lease was amended and extended, resulting in a final maturity date of June 30, 2002.

In 1991, when the original lease was executed, State Street, as trustee, issued Series A Trust Notes and Series B Trust Notes to Citicorp Leasing and CSFB, and a Series C Trust Certificate to Citicorp Leasing to finance the purchase of the Omaha Property. Citicorp Leasing invested $8,901,524.18 in a Series A Trust Note, $1,641,391.65 in a Series B Trust Note, and $635,347.91 in the Series C Trust Certificate. CSFB provided the balance of the financing by investing $9.1 million in a Series A Trust Note and $900,000 in a Series B Trust Note.

In July 1997, in order to induce ENE to extend the term of the lease, CSFB and its affiliate, Credit Suisse Leasing 92A, L.P., advanced to State Street an additional $2.8 million, which was used by State Street to provide ENE with a tenant allowance. The additional $2.8 million was allocated pro rata among the Series A Trust Notes, the Series B Trust Notes, and the Series C Trust Certificate, increasing the aggregate amount thereof to $24 million. At the time that the lease was extended, Citicorp Leasing assigned the Series A Trust Note and the Series B Trust Note it held to CSFB and the Series C Trust Certificate to Credit Suisse Leasing 92A, L.P., resulting in (a) CSFB owning beneficially and of record a Series A Trust Note due June 30, 2002 in the original principal amount of $20.4 million and a Series B Trust Note due June 30, 2002 in the original principal amount of $2.88 million, and (b) Credit Suisse Leasing 92A, L.P. owning beneficially and of record the Series C Trust Certificate evidencing a $720,000 payment obligation plus accrued yield.

ENE executed a residual guaranty for the benefit of State Street pursuant to which ENE agreed to pay to State Street an amount equal to $20.4 million on June 30, 2002 unless ENE purchased the Omaha Property or State Street had exercised its rights pursuant to a termination value agreement to cause ENE to pay to State Street, upon the occurrence of an event of default or a "*trigger event*" under the lease, an amount equal to the outstanding principal and interest on the debt plus any closing costs associated with the sale of the Omaha Property to a third party.

b. **Structure Diagram as of Initial Petition Date**.



c. **Significant Assets Associated with the Structure**. The Omaha Property was the only asset in this structure, which was appraised in 2002 at varying values approximating or less than the amounts owing by ENE under the lease, the residual guaranty, the termination value agreement, and other operative documents.

d. **Significant Potential Liabilities of the Structure**. As outlined above, the trust was obligated to repay amounts owing under the Series A Trust Notes, the Series B Trust Notes, and the Series C Trust Certificate.

e. **Significant Potential Liabilities of Debtors**. During the life of the lease, ENE had various financial obligations including, but not limited to, payment for rent, insurance, maintenance, and taxes. ENE was also obligated to pay up to $20.4 million under the terms of the residual guaranty, or if an event of default or "*trigger event*" occurred under the terms of the lease, to pay to State Street the termination value.

f. **Structure Resolution**. In December 2002, the Bankruptcy Court approved a final settlement of the Omaha synthetic lease structure set forth in a termination agreement among ENE, State Street, State Street (MA), CSFB, and Credit Suisse Leasing 92A, L.P., dated November 15, 2002. Pursuant to the termination agreement, the parties agreed to satisfy all claims relative to the structure documents by terminating them; releasing the parties thereto from any further liability thereunder; directing State Street to convey title to the Omaha Property to CSFB or its designee; providing that CSFB and Credit Suisse Leasing 92A, L.P. pay to ENE 70% of any sales proceeds for the Omaha Property exceeding $25 million for sales made five years after the Bankruptcy Court entered a final order approving the execution, delivery, and performance of the termination agreement; and providing for certain other matters consistent therewith. The Omaha Property subsequently was sold for less than $25 million.

41. Osprey/Whitewing

a. Legal Structure. Whitewing LP is a Delaware limited partnership between Osprey and several ENE subsidiaries. Whitewing LP was established to invest in the activities of business units of various Enron Companies.

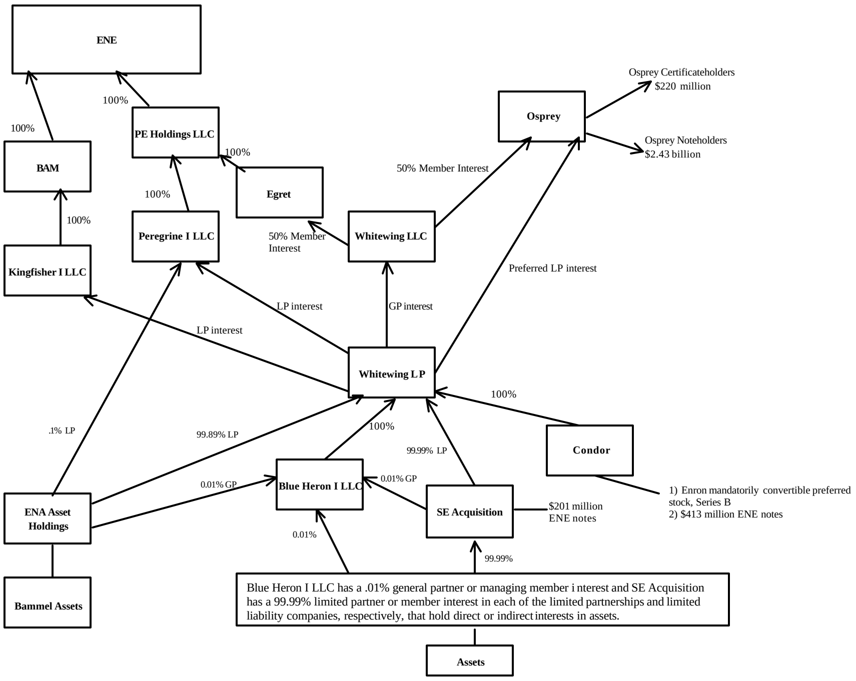
Osprey, through two offerings consummated on September 24, 1999 and October 5, 2000, and an equity issuance on July 12, 2000, raised $2.65 billion consisting of $2.43 billion of Osprey Notes and $220 million of Osprey Certificates. Osprey invested the proceeds primarily in Whitewing LP, including Osprey's purchase of a preferred limited partnership interest in Whitewing LP, with a nominal amount of proceeds used to purchase a 50% member interest (the Class B interest) in Whitewing LLC. Whitewing LP in turn used the proceeds to redeem an outstanding unaffiliated equity investor in the predecessor entity to Whitewing LP and to invest directly and indirectly (through its subsidiaries) in ENE debt instruments, permitted partnership investments, and Condor. The assets of this structure are held through subsidiaries of Whitewing LP, including Condor, ENA Asset Holdings, and SE Acquisition; SE Acquisition's subsidiaries hold primarily all of the significant assets other than ENE debt and equity securities.

In connection with the 1999 Osprey transactions, Whitewing LP converted from a limited liability company to a limited partnership and (i) ENE's membership interest in the limited liability company was redesignated as a limited partner interest that ENE assigned to Peregrine I LLC, a wholly owned ENE subsidiary, and (ii) ENE, through this subsidiary, contributed an ENE demand note to Whitewing LP. In connection with this conversion, ENE caused its outstanding Series A Junior Voting Convertible Preferred Stock held by the former limited liability company to be exchanged for shares of ENE Mandatorily Convertible Junior Preferred Stock, Series B, no par value, and Whitewing LP, in turn, contributed these shares, along with ENE debt instruments and cash, to Condor and received the sole certificate of beneficial interest in Condor. Condor invested the cash in an ENE debt instrument.

Also in connection with the 1999 Osprey transactions, Egret, a wholly owned ENE subsidiary, purchased a 50% member interest (the Class A interest) in Whitewing LLC, the general partner of Whitewing LP. As the Class A member of Whitewing LLC, Egret controls the management of Whitewing LLC, subject to certain rights of Osprey that include consent rights for certain actions and the ability to cause management of Whitewing LLC to be assumed by a four-person board of directors. If such a board is established, two directors would be designated by each of Egret and Osprey. Through its indirect 100% ownership of Egret, ENE continues to retain management and control of Whitewing LLC, Whitewing LP, and SE Acquisition and its subsidiaries, subject to Osprey's rights.

ENE has filed with the Bankruptcy Court preference actions against certain Whitewing entities. Refer to Section IV.C.1.b(i), "*Enron Corp., et al. v. Whitewing Associates, L.P., et al.* (Adv. No. 03-02116, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division) for further information.

b. Structure Diagram as of Initial Petition Date.


ENE
100%
100%
PE Holdings LLC
BAM
100%
Egret
100%
100%
Peregrine I LLC
Kingfisher I LLC
Osprey
Osprey Certificateholders
$220 million
Osprey Noteholders
$2.43 billion
50% Member Interest
50% Member Interest
Whitewing LLC
Preferred LP interest
LP interest
GP interest
LP interest
Whitewing LP
100%
.1% LP
99.89% LP
100%
99.99% LP
Condor
0.01% GP
0.01% GP
Blue Heron I LLC
ENA Asset Holdings
SE Acquisition
$201 million ENE notes
1) Enron mandatorily convertible preferred stock, Series B
2) $413 million ENE notes
0.01%
99.99%
Bammel Assets
Blue Heron I LLC has a .01% general partner or managing member i nterest and SE Acquisition has a 99.99% limited partner or member interest in each of the limited partnerships and limited liability companies, respectively, that hold direct or indirect interests in assets.
Assets

c. Significant Assets Associated with the Structure. In addition to ENE debt and equity securities, investments held within this structure include indirect economic interests in several European power projects, a power distribution company and a natural gas distribution company in South America, and an economic interest in several debt and equity investments related to North American exploration and production, power and technology companies. Refer to Section IV.B.5., "Asset Sales" for information regarding the Arcos sale.

d. Significant Potential Liabilities of the Structure. Osprey issued $2.43 billion in Osprey Notes and $220 million in Osprey Certificates. Refer to Section IV.C.1.b(i), "*Enron Corp., et al. v. Whitewing Associates, L.P., et al.* (Adv. No. 03-02116, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division)" for further information.

e. Significant Potential Liabilities of Debtors. Condor may have a claim against ENE for approximately $2.43 billion, because certain transactions have not occurred under a share settlement agreement between ENE and Condor, and a remarketing and registration rights agreement among ENE, Osprey, Whitewing LLC, Whitewing LP, Condor, the Osprey indenture trustee, and initial remarketing agents, including, without limitation, the sale of the ENE Mandatorily Convertible Junior Preferred Stock, Series B. In addition, ENE issued $413 million in notes payable to Condor and $201 million in notes payable to SE Acquisition and one of its subsidiaries. Application and interpretation of the terms of documents governing this structure will determine the priority of the ultimate distribution of any amounts received in respect of these liabilities and sales of structure assets among the holders of the Osprey Notes and Osprey Certificates, and ENE.

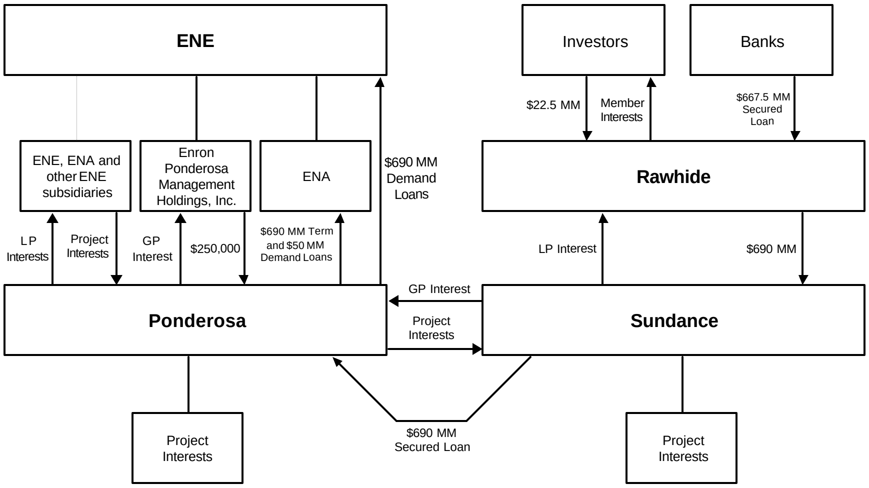
42. Rawhide

a. Legal Structure. Project Rawhide was consummated in December 1998. Ponderosa and Sundance were created to hold approximately $2.4 billion in contributed value of equity and debt interests primarily in power and energy-related assets in the Americas, Europe, and the Philippines contributed by ENE and its affiliates. These asset interests initially were contributed to Ponderosa and in consideration therefor, ENE and its affiliates were issued the limited partner interests in Ponderosa. Ponderosa then contributed approximately $858 million of such contributed asset interests to Sundance in consideration for the general partner interest in Sundance. The sole limited partner interest in Sundance was issued to Rawhide through the following series of transactions: Rawhide (i) was capitalized with an aggregate $22.5 million equity investment by two third-party institutional investors (Rawhide's capital contributing members are (1) Hoss LLC ($12.5 million), the sole membership interest in which was acquired in March 2000 by LJM2 Norman from HCM High Yield Opportunity Fund, L.P. (a hedge fund managed by Harch Capital Management, Inc.), and (2) Little Joe LLC ($10 million), the sole member of which is Crescent/Mach I Partners, L.P., an affiliate of Trust Company of the West), (ii) incurred $727.5 million of secured debt to CXC Incorporated, a commercial paper conduit affiliated with Citibank (this indebtedness was backed by a syndicate of banks that ENE understands has succeeded to CXC Incorporated's interests), and (iii) used the resulting $750 million of aggregate proceeds to make a capital contribution to Sundance in consideration for being issued the sole limited partner interest in Sundance. Sundance then made a $750 million secured loan to Ponderosa, which then made an unsecured term loan of like amount to ENA that is guaranteed by ENE. The general partner interest in Ponderosa was issued to a wholly owned ENE subsidiary, Enron Ponderosa Management Holdings, Inc., in consideration for its cash capital contribution of $250,000 to Ponderosa.

Since December 1998, approximately $60 million of the principal amount of each of the Ponderosa loan to ENA, the Sundance loan to Ponderosa, and the CXC Incorporated loan to Rawhide was repaid from an approximate $60 million repayment of principal under the loan from Ponderosa to ENA, and the capital account of Rawhide in Sundance was decreased by the same amount. In addition, Ponderosa made demand loans to ENE, constituting permitted investments of cash in the structure (including, without limitation, proceeds from sales of project interests from time to time), the outstanding unpaid principal balance of which, as of the Initial Petition Date, was approximately $698 million.

In November 2001, Citicorp North America, Inc. as collateral agent for the banks under the secured loan to Rawhide, delivered a notice of "Appointment of Portfolio Manager" for Sundance and Ponderosa. In this notice, Citicorp North America, Inc. asserted, among other things, that: (i) the occurrence of certain events, including, without limitation, downgrades in ENE's long-term unsecured debt ratings and nonpayment of loans by Ponderosa to ENE, effects dissolution under Delaware law of Sundance and Ponderosa and commencement of winding up their respective business and liquidating their respective assets, (ii) the occurrence of such events also empowered Citicorp North America, Inc. to appoint a "Sundance Portfolio Manager" and "Ponderosa Portfolio Manager," each of which has certain rights with respect to such winding up and liquidation, and (iii) it had appointed Citibank as Sundance Portfolio Manager and Ponderosa Portfolio Manager. ENE disputes the validity, effectiveness, and scope of the purported appointment.

b. **Structure Diagram as of Initial Petition Date**.



ENE
Investors
Banks
$22.5 MM
Member Interests
$667.5 MM Secured Loan
ENE, ENA and other ENE subsidiaries
Enron Ponderosa Management Holdings, Inc.
ENA
$690 MM Demand Loans
Rawhide
LP Interests
Project Interests
GP Interest
$250,000
$690 MM Term and $50 MM Demand Loans
LP Interest
$690 MM
GP Interest
Ponderosa
Project Interests
Sundance
Project Interests
$690 MM Secured Loan
Project Interests

c. **Significant Assets Associated with the Structure.** As of the Initial Petition Date, (i) Ponderosa held interest-bearing debt instruments issued by ENE (approximately $698 million in unpaid principal) and ENA (approximately $690 million in unpaid principal on term loan and $50 million in unpaid principal on demand note, both of which are guaranteed by ENE), and by EGPP (related to power plants in the Philippines and Central America) (an aggregate approximate $137.5 million in unpaid principal), (ii) Sundance held an interest-bearing debt instrument issued by Ponderosa (approximately $690 million in unpaid principal), and (iii) the banks held an interest-bearing debt instrument issued by Rawhide (approximately $667.5 million in unpaid principal). Significant assets held through Ponderosa's subsidiaries include varying interests in natural gas distribution facilities in Brazil and Argentina, a gas pipeline and processing plant in Argentina, and a pipeline in Colombia. Significant assets held through Sundance include common units representing limited partner interests in Northern Border Partners that owns a significant interest in a U.S. interstate pipeline.

d. **Significant Potential Liabilities of the Structure.** As of the Initial Petition Date, the outstanding principal balance of the loan by banks to Rawhide was approximately $667.5 million.

e. **Significant Potential Liabilities of Debtors**.

(i) Demand Loans. As of the Initial Petition Date, the aggregate unpaid principal balance of the (i) ENE demand loans payable to Ponderosa was approximately $698 million, and they became due and payable in November 2001 without demand as a result of S&P downgrades in ENE's long-term unsecured debt rating, and (ii) ENA demand note payable to Ponderosa and guaranteed by ENE was approximately $50 million.

(ii) Term Loan. As of the Initial Petition Date, the aggregate outstanding principal balance of the term loan by Ponderosa to ENA guaranteed by ENE was approximately $690 million.

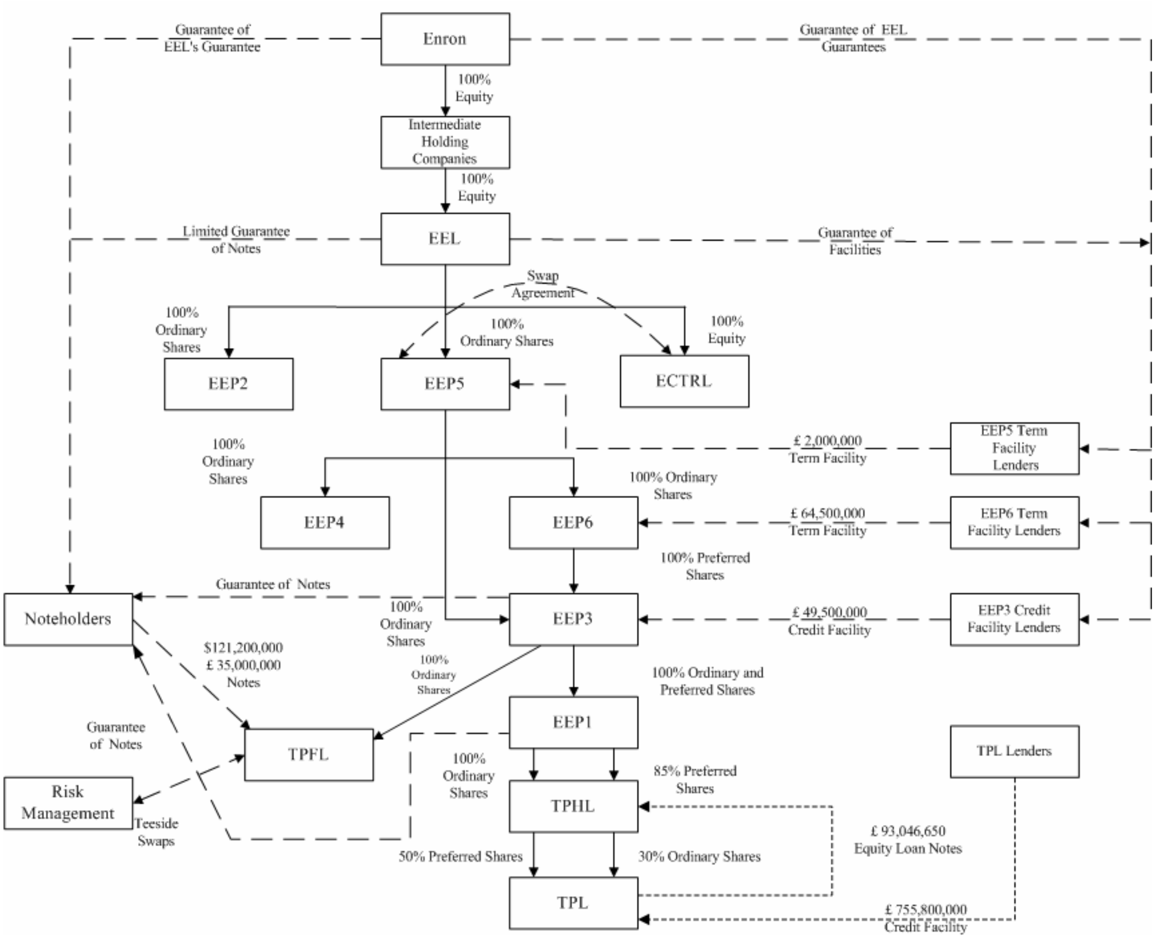
(iii) LP Obligations. Several limited partners of Ponderosa are Debtors, as of June 28, 2003, these include ENE, ENA, Enron Capital Management (as a division of ENE), ACFI, EDF, EGPP, Ventures, and ERAC. The limited partners of Ponderosa may be required to make capital contributions to Ponderosa with respect to certain liabilities, including, without limitation, (i) payments with respect to certain indemnification obligations of Ponderosa and Sundance, (ii) certain contribution obligations required with respect to assets contributed to Ponderosa, including those contributed onto Sundance, (iii) payments for deficiencies between sales proceeds from the disposition of contributed assets and the value at which they were contributed to Ponderosa, and (iv) payments of certain Ponderosa including without limitation expenses, liabilities, obligations, settlements, claims, losses, and costs.

(iv) ENE Guarantees. ENE has guaranteed certain payment and performance obligations of its subsidiaries (excluding the payment by Ponderosa of principal or interest on the loan by Sundance to Ponderosa), including, without limitation, those of ENA under the Ponderosa loan to ENA, and of the partners of Ponderosa and of Ponderosa as general partner of Sundance (excluding certain obligations of Ponderosa, as Sundance's general partner, to make preferred payments to Sundance's limited partner) under the limited partnership agreements of Ponderosa and Sundance, respectively.

43. Riverside

a. Legal Structure. In 1991, ECTRL, a U.K. subsidiary of ENE, entered into various construction and financing agreements with several U.K. power producers and lenders to finance and construct a 1,875-MW power plant in the northeast U.K. Following construction of the power plant, ECTRL's ownership interests in the power plant were transferred among several subsidiaries of ECTRL's parent (EEL, an indirect subsidiary of ENE) to monetize such ownership interests. In connection with the monetization transactions, EEL guaranteed various debt obligations of its direct and indirect subsidiaries and ENE guaranteed EEL's guarantees of such obligations.

b. Structure Diagram as of the Initial Petition Date.



Guarantee of EEL's Guarantee
Enron
Guarantee of EEL Guarantees
100% Equity
Intermediate Holding Companies
100% Equity
Limited Guarantee of Notes
EEL
Guarantee of Facilities
Swap Agreement
100% Ordinary Shares
100% Ordinary Shares
100% Equity
EEP2
EEP5
ECTRL
£ 2,000,000 Term Facility
EEP5 Term Facility Lenders
100% Ordinary Shares
100% Ordinary Shares
EEP4
EEP6
£ 64,500,000 Term Facility
EEP6 Term Facility Lenders
100% Preferred Shares
Guarantee of Notes
Noteholders
100% Ordinary Shares
EEP3
£ 49,500,000 Credit Facility
EEP3 Credit Facility Lenders
$121,200,000 £ 35,000,000 Notes
100% Ordinary Shares
100% Ordinary and Preferred Shares
Guarantee of Notes
EEP1
TPFL
TPL Lenders
100% Ordinary Shares
85% Preferred Shares
Risk Management
Teeside Swaps
TPHL
£ 93,046,650 Equity Loan Notes
50% Preferred Shares
30% Ordinary Shares
TPL
£ 755,800,000 Credit Facility

c. Significant Assets Associated with the Structure. EEP1, an indirect, wholly owned subsidiary of EEL, owns 100% of the ordinary shares and 85% of the preferred shares of TPHL, which is the entity that owns 50% of the preferred shares and 30% of the ordinary shares of TPL, which is the entity that owns the power plant. In addition, TPHL is the holder of approximately GBP 93,046,650 in equity loan notes issued by TPL in connection with the financing of the power plant.

d. Significant Potential Liabilities of the Structure. In connection with the construction of the power plant, TPL entered into a credit facility with an estimated outstanding balance of GBP 755.8 million and issued to TPHL, as noted above, approximately GBP 93,046,650 in equity loan notes. In addition, various direct and indirect wholly owned subsidiaries of EEL issued indebtedness in connection with the monetization and transfer of the ownership interests in the power plant as follows: (i) EEP3 issued approximately GBP 49.5 million of secured indebtedness pursuant to a secured credit facility; (ii) EEP5 issued approximately GBP 2 million pursuant to a secured credit facility; (iii) EEP6 issued approximately GBP 64.5 million pursuant to a secured credit facility; and (iv) TPFL issued fixed and floating rate secured notes with any aggregate principal amount of GBP 35 million and

$121.2 million. EEL guaranteed the debt obligations of its subsidiaries referred to in the prior sentence in connection with these transactions.

e. Significant Potential Liabilities of Debtors. ENE guaranteed the obligations of EEL to provide the guarantees noted above.

44. Slapshot

a. Legal Structure. Slapshot was a transaction involving CPS, ENE's principal newsprint and directory paper asset in Quebec, Canada, entered into on June 22, 2001. Slapshot lenders were not granted a security interest in the shares of CPS or in its assets, the principal credit support for the financing being provided by ENE through the Put Agreement and Total Return Swap, described more fully below. Proceeds of the Slapshot financing were used to repay ENE under a bridge loan entered at the time of CPS's acquisition in March 2001.

Shortly prior to ENE's bankruptcy filing, but following a cross-default by ENE, Flagstaff, a wholly owned subsidiary of JPMCB which extended the Slapshot loan, irrevocably put certain warrant rights, described below, to ENE, in accordance with the terms of the Put Agreement. The exercise of the put option under the Put Agreement had the effect of substituting ENE as the party responsible for paying the unamortized portion of the Slapshot loan payable to Flagstaff, in the place and stead of Hansen, the original Slapshot borrower and a wholly owned subsidiary of CPS. Because ENE's ability to honor its payment obligations under the Put Agreement and Total Return Swap arrangements remains subject to the automatic stay provisions applicable to ENE's bankruptcy, ENE has yet to pay to Flagstaff any amounts due under the Total Return Swap.

The Slapshot transaction is briefly summarized as follows:

(i) Flagstaff loaned Hansen $1.4 billion under an unsecured credit agreement. To fund the Hansen credit facility, Flagstaff received a $375 million secured loan from a syndicate of banks and a $1.04 billion loan from Chase. In connection with the Hansen credit agreement, Hansen issued a $1.4 billion note to Flagstaff bearing an annual interest rate of 6.12% and a maturity date of June 23, 2006. Under the terms of the Hansen credit agreement, in addition to the outstanding principal due thereunder, a make-whole amount consisting of (a) the accrued and unpaid interest due on or before the date of any voluntary or involuntary prepayment of principal under the loan, and (b) the present value of all payments of interest under the Hansen credit agreement that would have been payable on the principal that was prepaid had such payment of interest occurred on the originally intended maturity date of June 23, 2006, becomes due and payable upon any prepayment of principal or upon an event of default (which includes material cross-defaults and the filing for bankruptcy protection by ENE) under the Hansen credit agreement.

(ii) Hansen in turn loaned $1.4 billion to CPS in exchange for a $1.4 billion intercompany demand note bearing annual interest of 6.13% and a final maturity date of June 23, 2006. The intercompany note in favor of Hansen contains a waiver of remedies that significantly limits Hansen's right of recourse against CPS, as well as rights of third parties deriving their rights through Hansen.

(iii) Hansen entered into a subscription agreement with Newman, another wholly owned subsidiary of CPS, pursuant to which Newman agreed to make a deferred payment (on the earlier of (i) June 23, 2006 or (ii) the date upon which the principal amount owing under the Hansen credit agreement becomes due and payable) to Hansen in return for the Class A Preferred Convertible Shares of Hansen.

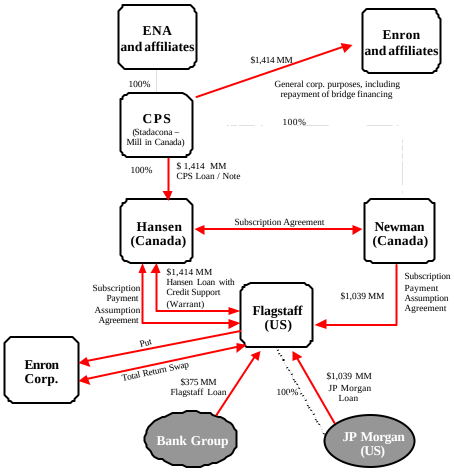
(iv) Hansen, Newman, and Flagstaff entered into an assumption agreement pursuant to which Newman paid Flagstaff $1.04 billion in return for the assumption by Flagstaff of Newman's future obligation to pay the $1.4 billion subscription price under the subscription agreement to Hansen (to occur on the earlier of (i) June 23, 2006 or (ii) the date upon which the principal amount owing under the Hansen credit agreement becomes due and payable). Under the subscription payment assumption agreement, the Hansen Class A shares are to be issued to Newman.

(v) Flagstaff and Hansen entered into a warrant agreement pursuant to which Flagstaff received a warrant that could be exercised for nonconvertible Class B Preferred Shares of Hansen. At any time prior to the occurrence of an event of default under the Hansen credit agreement, Flagstaff may exercise, and at any time after the occurrence of an event of default under the Hansen credit agreement, any holder other than Flagstaff may exercise, the Hansen warrant (at a purchase price of $1.00 per Hansen Class B share) for the number of Hansen Class B shares equal in aggregate value to the make-whole amount determined as of the date of exercise, whether or not the make-whole amount is then due and payable.

(vi) Flagstaff and ENE entered into a put option agreement pursuant to which Flagstaff has the right, upon an event of default under the Hansen credit agreement, to cause ENE to purchase the Hansen warrant and Hansen's rights to the make-whole amount under the Hansen credit agreement in return for a put purchase price equal to the fair market value of the Hansen warrant and Hansen's rights to the make-whole amount under the Hansen credit agreement as determined by ENE , or, if no determination is made on the same business day that ENE receives notice of Flagstaff's intent to cause ENE to make the purchase, then equal to the tangible net worth of Hansen.

(vii) Flagstaff and ENE entered into a total return swap. The payment date under the total return swap is the date of assignment of the Hansen warrant and Hansen's rights to the make-whole amount under the Hansen credit agreement to ENE pursuant to the put agreement. On the payment date, Flagstaff pays an amount equal to the value of the Hansen warrant and Hansen's rights to the make-whole amount under the Hansen credit agreement, as determined under the put agreement, to ENE, in return for ENE's payment to Flagstaff of an amount equal to the make-whole amount owed by Hansen to Flagstaff under the Hansen credit agreement. The net effect of an exercise of the put option under the put agreement and the triggering of the total return swap, is the payment by ENE to Flagstaff of the make-whole amount.

b. Structure Diagram as of the Initial Petition Date.



ENA and affiliates
Enron and affiliates
$1,414 MM
General corp. purposes, including repayment of bridge financing
100%
CPS
(Stadacona – Mill in Canada)
100%
100%
$ 1,414 MM
CPS Loan / Note
Hansen (Canada)
Subscription Agreement
Newman (Canada)
$1,414 MM
Hansen Loan with Credit Support (Warrant)
Subscription Payment Assumption Agreement
Flagstaff (US)
$1,039 MM
Subscription Payment Assumption Agreement
Enron Corp.
Put
Total Return Swap
$375 MM
Flagstaff Loan
100%
$1,039 MM
JP Morgan Loan
Bank Group
JP Morgan (US)

c. Significant Potential Liabilities of Debtors. ENE may be obligated under the total return swap to pay Flagstaff a sum equal to the make-whole amount**.**

45. SO_2

a. Legal Structure. The SO_2 Inventory Project was established to monetize an inventory of sulfur-dioxide emissions credits held by ENA. To effectuate the project, ENA executed an ENA GTC along with a confirmation dated September 28, 2001, with Colonnade Limited, a Guernsey, Channel Islands company. Under the GTC, ENA purported to agree to sell 757,975 emissions credits to Colonnade in return for a cash payment of $128,372,535. A month later, ENA purported to sell an additional 166,607 emissions credits to Colonnade under an agreement, dated October 30, 2001 for a cash payment of $29,108,639.

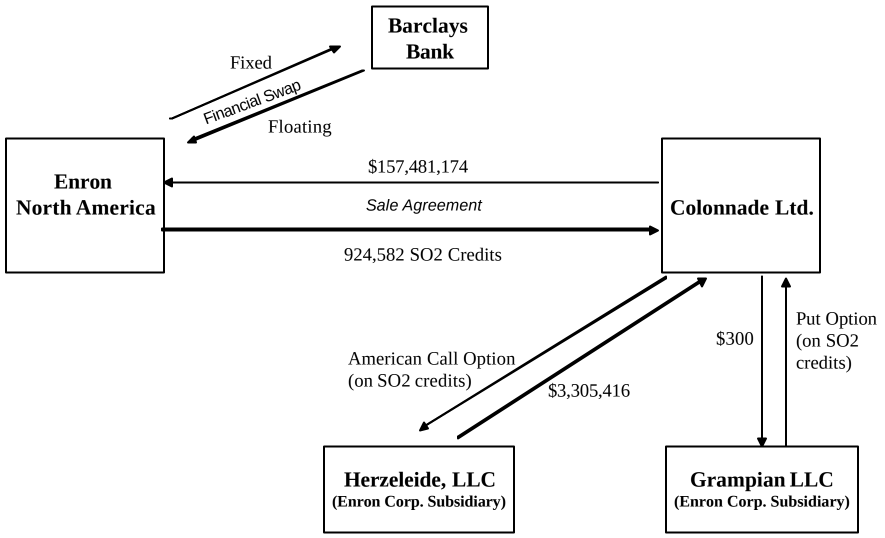
Colonnade also entered into a call option agreement, dated October 30, 2001 for the emissions credits with Herzeleide, LLC, a Delaware limited liability company, and a put option agreement concerning the emissions credits with Grampian LLC, a Delaware limited liability company. Herzeleide and Grampian are wholly owned subsidiaries of ENE.

ECT had previously entered into an ISDA master agreement and a credit support annex, both dated January 13, 1994, as amended from time to time, as supplemented by three confirmations of swap between Barclays and ENA (formerly known as ECT), each dated October 30, 2001, with Barclays. Under the terms of the swap, ENA makes fixed payments (equal to the sum of the fixed price per emissions credit and the notional quantity of emissions credits referenced per year) and Barclays makes floating payments (based on a quoted bid price). The total amount of the fixed payments payable by ENA pursuant to all three swap confirmations is $157,481,173. The total amount of the floating payments payable by Barclays is variable, based on the applicable reference spot price per emissions credit.

On October 30, 2001, ENE and Barclays entered into a Charge on Cash, under which ENE deposited $59.5 million in cash into a Barclays account in London. The agreement purported to allow Barclays to withdraw funds from this account to meet any present or future obligation and liability of ENE, or any of its subsidiaries, to Barclays or certain of its affiliates.

ENE guaranteed Herzeleide's and Grampian's obligations under the call option agreement and the put option agreement, respectively, and was the guarantor of ENA's obligations under the swap confirmations.

b. Structure Diagram as of the Initial Petition Date.



Barclays Bank
Fixed
Financial Swap
Floating
Enron North America
$157,481,174
Sale Agreement
924,582 SO2 Credits
Colonnade Ltd.
American Call Option (on SO2 credits)
$3,305,416
$300
Put Option (on SO2 credits)
Herzeleide, LLC (Enron Corp. Subsidiary)
Grampian LLC (Enron Corp. Subsidiary)

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Colonnade purported to own 924,582 emissions credits.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, ENA was obligated on certain financial swaps with Barclays, and Grampian was obligated on that certain put option to Colonnade.

e. Significant Potential Liabilities of Debtors. On December 4, 2001, Barclays sent ENA a Notice of Termination as a Result of Voluntary Filing, claiming that the ENA bankruptcy was an event of default under the master ISDA agreement. On December 31, 2001, Barclays sent ENA a Statement of Payment on Early Termination that calculated the amounts due under the swap confirmations. Barclays used the average of 2 market quotations ($94,774,866) for the value of the floating payments payable by Barclays under the three swap confirmations. The total amount of the fixed payments payable by ENA remained $157,481,173. Barclays thus claimed that it was owed $62,706,307 by ENA.

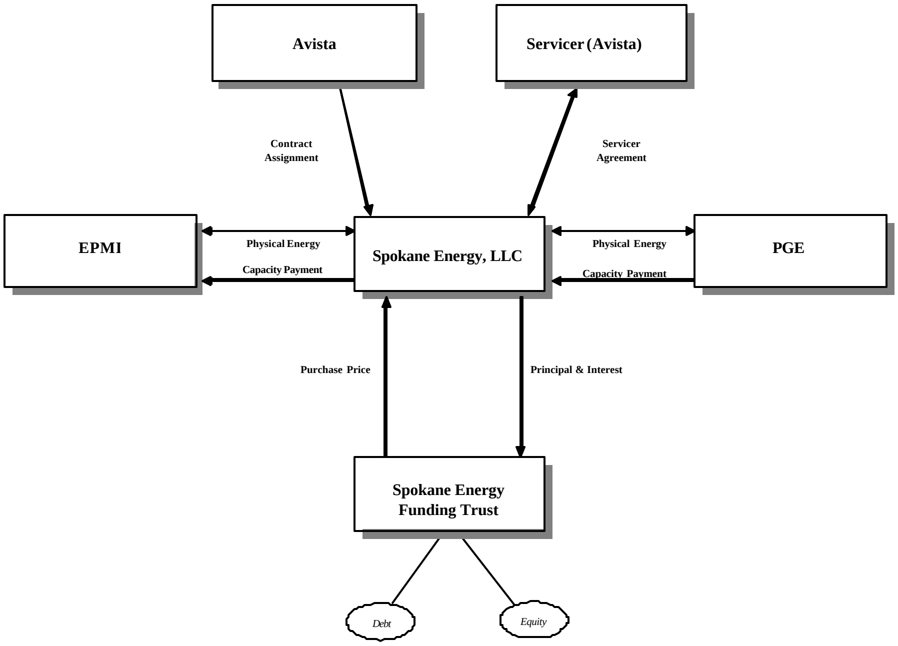
46. Spokane

a. Legal Structure. On October 1, 1998, EPMI entered into long-term physical power supply agreement with Spokane. The Spokane contract serves as a physical and financial hedge for Spokane's obligations to PGE under a contract dated June 26, 1992, that Avista monetized by assigning to Spokane for a payment of approximately $145 million. The PGE contract gives PGE an option to purchase peak energy in exchange for off-peak energy and capacity payments.

The Spokane Trust issued notes and certificates to fund the assignment of the PGE contract to Spokane, and Spokane in turn collaterally assigned the Spokane contract and PGE contract to the Spokane Trust as collateral.

ENE issued a performance guarantee to the Spokane Trust, for the benefit of the noteholders, of the obligations of EPMI under the Spokane contract.

b. Structure Diagram as of Initial Petition Date.


Avista
Servicer (Avista)
Contract Assignment
Servicer Agreement
EPMI
Physical Energy
Capacity Payment
Spokane Energy, LLC
Physical Energy
Capacity Payment
PGE
Purchase Price
Principal & Interest
Spokane Energy Funding Trust
Debt
Equity

c. **Significant Assets Associated with the Structure**. Spokane has power contracts with PGE and EPMI.

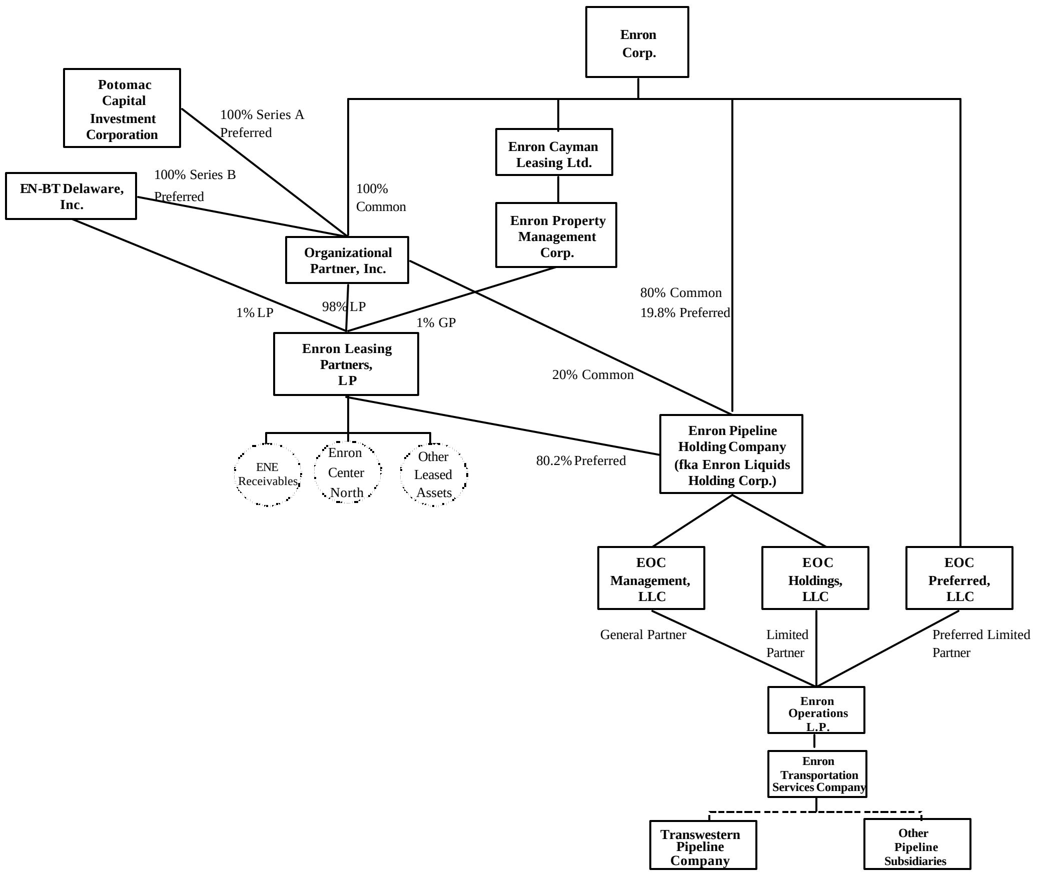
d. **Significant Potential Liabilities of the Structure**. As of the Initial Petition Date, the Spokane Trust had obligations of approximately $139 million.

e. **Significant Potential Liabilities of Debtors**. For EPMI, the unliquidated value of the Spokane contract. ENE guaranteed the obligations of EPMI under the Spokane contract.

47. Teresa

a. **Legal Structure**. In 1997, ENE contributed certain assets to OPI which, in turn, contributed such assets to ELP. Such contributed assets included, among others, the lease for the Enron Building. For a description of the synthetic lease transaction relating to the Enron Building, refer to Section III.F.19., "Enron Center North Synthetic Lease" for further information. Shortly after ENE's contribution, DB and Potomac Capital Investment Corporation provided the minority investment financing to the structure by investing in shares of preferred stock of OPI.

b. **Structure Diagram as of Initial Petition Date**.



Enron Corp.
Potomac Capital Investment Corporation
100% Series A Preferred
EN-BT Delaware, Inc.
100% Series B Preferred
100% Common
Enron Cayman Leasing Ltd.
Enron Property Management Corp.
Organizational Partner, Inc.
80% Common
19.8% Preferred
1% LP
98% LP
1% GP
Enron Leasing Partners, LP
20% Common
ENE Receivables
Enron Center North
Other Leased Assets
80.2% Preferred
Enron Pipeline Holding Company (fka Enron Liquids Holding Corp.)
EOC Management, LLC
EOC Holdings, LLC
EOC Preferred, LLC
General Partner
Limited Partner
Preferred Limited Partner
Enron Operations L.P.
Enron Transportation Services Company
Transwestern Pipeline Company
Other Pipeline Subsidiaries

c. **Significant Assets Associated with the Structure**. As of the Initial Petition Date, ELP's significant assets included net receivables from ENE, the Enron Building (subject to loan and Forbearance Agreement dated May 14, 2002 relating to the loan), subordinated preferred stock in Enron Pipeline Holding Company, an entity that indirectly holds an interest in the stock of ETS, and other leasing assets.

OPI's significant assets included $131 million cash arising from an income tax refund and net receivables from ENE.

d. **Significant Potential Liabilities of the Structure**. ELP's significant liability is the debt on the Enron Building.

e. **Significant Potential Liabilities of Debtors**. Refer to Section III.F.19., "Enron Center North Synthetic Lease" for further information.

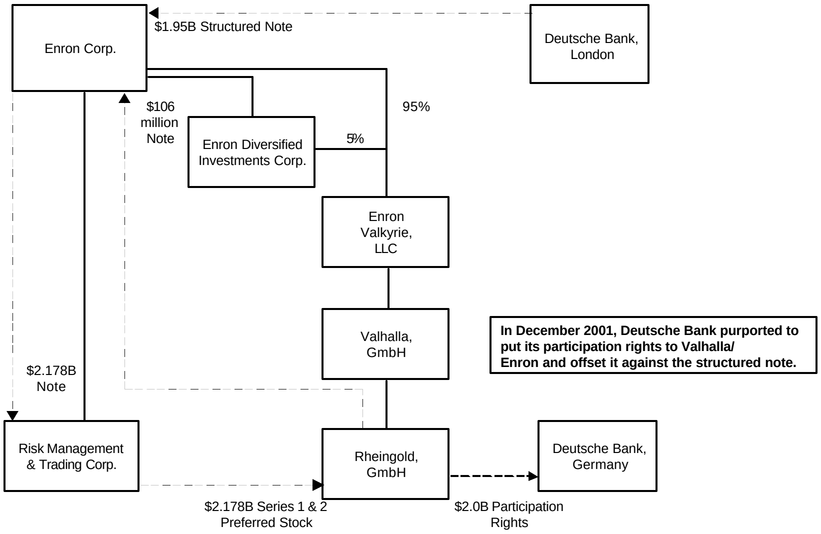
48. Valhalla

a. **Legal Structure**. In 2000, various ENE subsidiaries formed Valkyrie, Valhalla, and Rheingold, to implement a financing transaction with DB. Through the structure these subsidiaries borrowed a net $50 million from DB.

ENE invested $178 million in Rheingold (indirectly through Valkyrie and Valhalla). DB acquired "*participation rights*" of Rheingold for $2 billion. Rheingold used the funds to purchase $2.178 billion in preferred stock from RMTC, an indirect subsidiary of ENE. RMTC then loaned $2.178 billion to ENE, and ENE loaned $1.95 billion to DB in the form of a structured note receivable. Contemporaneously, ENE and DB entered into an interest rate swap with a $50 million notional principal balance.

As part of the steps described above, DB, Valhalla, and Valkyrie executed various puts and calls on the participation rights issued to DB by Rheingold, and ENE guaranteed the performance of Valhalla and Valkyrie under those arrangements. The puts and calls provided a mechanism for unwind upon certain default events including the material downgrade of either party's credit rating.

b. Structure Diagram as of Initial Petition Date.



Enron Corp.
$1.95B Structured Note
Deutsche Bank, London
$106 million Note
95%
Enron Diversified Investments Corp.
5%
Enron Valkyrie, LLC
Valhalla, GmbH
In December 2001, Deutsche Bank purported to put its participation rights to Valhalla/ Enron and offset it against the structured note.
$2.178B Note
Risk Management & Trading Corp.
Rheingold, GmbH
Deutsche Bank, Germany
$2.178B Series 1 & 2 Preferred Stock
$2.0B Participation Rights

c. Significant Assets Associated with the Structure. The only significant asset associated with the structure is $2.178 billion in preferred stock of RMTC.

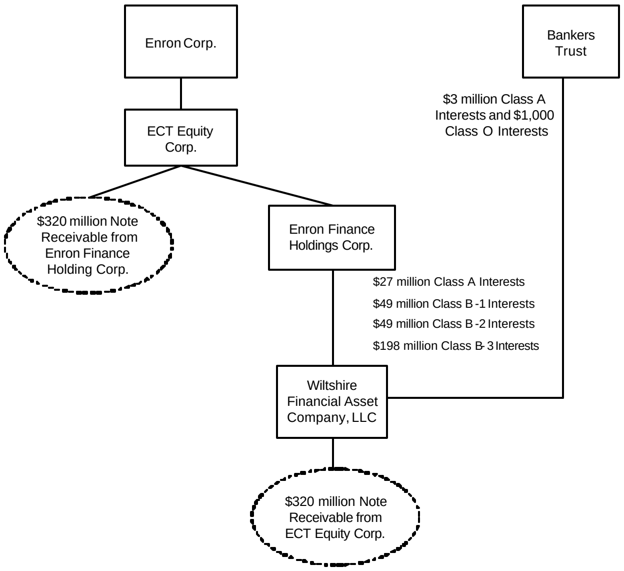
d. Significant Potential Liabilities of the Structure. Immediately prior to ENE's bankruptcy filing, DB purported to put its interest in Rheingold to Valhalla and, pursuant to the various legal documents, offset the Rheingold interest against its structured note payable to ENE. ENE has reserved its right to contest DB's purported put. The validity of the purported put may ultimately be resolved by the Bankruptcy Court; the outcome of such action would impact the equity ownership of Rheingold. If DB's offset is not valid, the structure's significant liability is Rheingold's $2 billion "participation rights" obligation to DB. If DB's offset is valid, then Valhalla owns the participation rights, and ENE may have a claim against Valhalla arising out of satisfaction of ENE's guarantee. Whether or not DB's offset is valid, Rheingold owes ENE $106 million.

e. Significant Potential Liabilities of Debtors. Refer to Section III.F.48.d., "Significant Potential Liabilities of the Structure" for further information.

49. Wiltshire Financial Asset Company/Renegade

a. Legal Structure. In 1998, ENE and BT formed Wiltshire as a FASIT. BT loaned $320 million to ECT Equity Corp., an ENE affiliate, which loaned the funds to EFHC, an ENE affiliate. ENE guaranteed ECT Equity Corp.'s obligations. EFHC lent $8 million to ENE and contributed the remaining $312 million to Wiltshire in exchange for various Class A and Class B FASIT interests. BT contributed $8 million to Wiltshire in exchange for Class A and Class O FASIT interests. Wiltshire utilized the $320 million contributed by BT and EFHC to acquire the ECT Equity Corp. note held by BT.

b. Structure Diagram as of Initial Petition Date.



Enron Corp.
Bankers Trust
$3 million Class A Interests and $1,000 Class O Interests
ECT Equity Corp.
$320 million Note Receivable from Enron Finance Holding Corp.
Enron Finance Holdings Corp.
$27 million Class A Interests
$49 million Class B -1 Interests
$49 million Class B -2 Interests
$198 million Class B-3 Interests
Wiltshire Financial Asset Company, LLC
$320 million Note Receivable from ECT Equity Corp.

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, Wiltshire holds a $320 million note receivable from ECT Equity Corp.

d. Significant Potential Liabilities of the Structure. As of the Initial Petition Date, Wiltshire owes $3 million to BT on its Class A and Class O FASIT interests and $323 million to EFHC on its Class A and Class B FASIT interests.

e. Significant Potential Liabilities of Debtors. The guaranty issued by ENE may give rise to a prepetition unsecured claim against ENE.

50. Yosemite and Credit Linked Notes

a. Legal Structure. From 1999 through 2001, ENE and Citibank structured several transactions designed to issue notes, the credit quality of which was comparable to ENE unsecured obligations. In each transaction, an SPE, often a trust, was formed to issue notes and equity certificates. The SPE would then invest the proceeds of the note and certificate issuances in permitted investments.[21] The SPE then entered into a credit default and periodic payment swap with Citibank. Under the periodic payment portion of the swap, Citibank would pay to the SPE amounts sufficient to pay periodic interest, and, when due, periodic yield on the notes and certificates, respectively, issued by the SPE, and the SPE would pay to Citibank amounts received from the permitted investments. Under the credit default terms of the swap, upon an ENE credit event, such as bankruptcy, Citibank could deliver senior unsecured obligations of ENE to the SPE in exchange for the permitted investments of the SPE. It is ENE's belief that after ENE filed for bankruptcy, Citibank delivered the obligations represented by the Citibank/Delta Prepays (refer to Section III.F.11., "Citibank/Delta Prepays" for further information) to the SPEs in exchange for the permitted investments. The transaction amounts and permitted investments for each transaction are as follows:

(i) Yosemite Securities Trust I Yosemite I issued 8.25% Series 1999-A Linked Enron Obligations and trust certificates, raising a total of $825 million, of which $800 million was used to purchased a promissory note from Delta, and the remaining $25 million was used to purchase a promissory note from ENE. As of the Initial Petition Date, the trust certificate holders of Yosemite I were SE Raptor LP, a subsidiary of Whitewing (refer to Section III.F.41., "Osprey/Whitewing" for further information), ENE and a third-party institutional investor.

(ii) Yosemite Securities Company Ltd. Yosemite Securities issued 8.75% Series 2000-A Linked Enron Obligations and company certificates, raising a total of £222.25 million, of which £206.75 million was used to purchase a promissory note from Delta and the remaining £15.5 million was used to purchase a promissory note from ENE. As of the Initial Petition Date, the trust certificate holders of Yosemite Securities were SE Raptor LP, a subsidiary of Whitewing (refer to Section III.F.41., "Osprey/Whitewing" for further information), ENE and a third-party institutional investor.

(iii) Enron Credit Linked Notes Trust. The CLN Trust issued 8.00% Enron Credit Linked Notes, as well as trust certificates, raising a total of $550 million, which was used to purchase a certificate of deposit from Citibank. The trust certificate holders are third-party institutional investors. As part of this transaction, Citibank loaned ENE $25 million as evidenced by a promissory note issued to Citibank.

(iv) Enron Credit Linked Notes Trust II. The CLN Trust II issued 7.375% Enron Credit Linked Notes, as well as trust certificates, raising a total of $550 million, which was used to purchase a certificate of deposit from Citibank. The trust certificate holders are third party institutional investors. As part of this transaction, Citibank loaned ENE $25 million as evidenced by a promissory note issued to Citibank.

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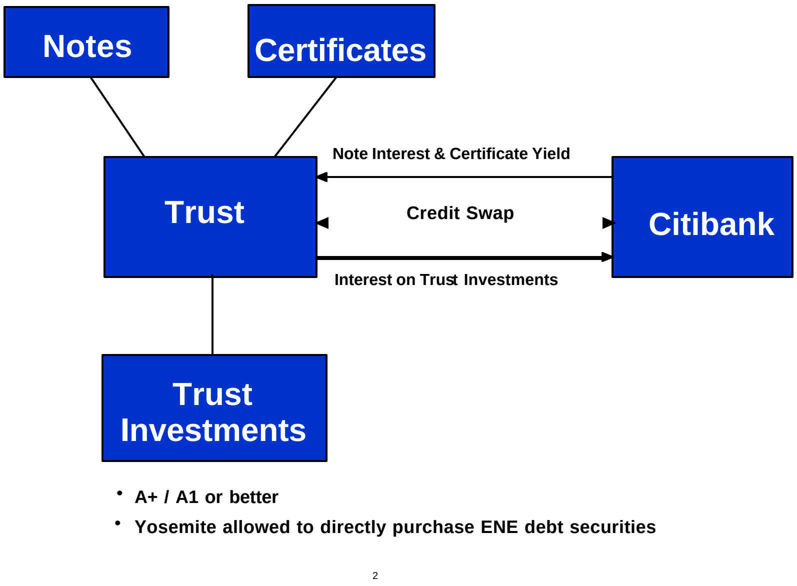
[21] For the Yosemite transactions, the permitted investments included, among other things, ENE unsecured obligations. For the Credit Linked Notes transactions, the permitted investments did not include ENE unsecured obligations.

(v) Enron Sterling Credit Linked Notes Trust. The Sterling CLN Trust issued 7.25% Enron Sterling Credit Linked Notes, as well as trust certificates, raising a total of £139 million, which was used to purchase a certificate of deposit from Citibank. The trust certificate holders are third-party institutional investors. As part of this transaction, Citibank loaned ENE £15.5 million as evidenced by a promissory note issued to Citibank.

(vi) Enron Euro Credit Linked Notes Trust. The Euro CLN Trust issued 6.50% Enron Euro Credit Linked Notes, as well as trust certificates, raising a total of €222.5 million, which was used to purchase a certificate of deposit from Citibank. The trust certificate holders are third-party institutional investors. As part of this transaction, Citibank loaned ENE €29.1 million as evidenced by a promissory note issued to Citibank.

b. Structure Diagram as of Initial Petition Date.


Notes
Certificates
Trust
Note Interest & Certificate Yield
Credit Swap
Interest on Trust Investments
Citibank
Trust Investments
• A+ / A1 or better
• Yosemite allowed to directly purchase ENE debt securities
2

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, each SPE held the permitted investments as described above. It is ENE's belief that, after ENE filed for bankruptcy, Citibank delivered the obligations represented by the Citibank/Delta Prepays (refer to Section III.F.11., "Citibank/Delta Prepays" for further information) to the SPEs in exchange for the permitted investments.

d. Significant Potential Liabilities of the Structure.

(i) Yosemite Securities Trust. Yosemite I issued notes and trust certificates totaling $825 million.

(ii) Yosemite Securities Company Ltd. Yosemite Securities issued notes and company certificates, totaling 222.25 million.

(iii) Enron Credit Linked Notes Trust. CLN Trust issued notes and trust certificates totaling $550 million.

(iv) Enron Credit Linked Notes Trust II. CLN Trust II issued notes and trust certificates totaling $550 million.

(v) Enron Sterling Credit Linked Notes Trust. Sterling CLN Trust issued notes and trust certificates totaling £139 million.

(vi) Enron Euro Credit Linked Notes Trust. Euro CLN Trust issued the notes and trust certificates totaling $222.5 million.

e. Significant Potential Liabilities of Debtors.

(i) Yosemite Securities Trust I. ENE is obligated under the promissory note originally issued to Yosemite I. Additionally, ENA's obligations under certain Citibank/Delta prepay transactions, which have now been assigned to Yosemite I, were supported by a guaranty from ENE.

(ii) Yosemite Securities Company Ltd. ENE is obligated under the promissory note originally issued to Yosemite Securities. Additionally, ENA's obligations under certain Citibank/Delta prepay transactions, which have now been assigned to Yosemite Securities, were supported by a guaranty from ENE.

(iii) Enron Credit Linked Notes Trust. ENE is obligated under the promissory note originally issued to Citibank. Additionally, ENA's obligations under certain Citibank/Delta prepay transactions, which have now been assigned to CLN Trust, were supported by a guaranty from ENE.

(iv) Enron Credit Linked Notes Trust II. ENE is obligated under the promissory note originally issued to Citibank. Additionally, ENA's obligations under certain Citibank/Delta prepay transactions, which have now been assigned to CLN II Trust, were supported by a guaranty from ENE.

(v) Enron Sterling Credit Linked Notes Trust. ENE is obligated under the promissory note originally issued to Citibank. Additionally, ENA's obligations under certain Citibank/Delta prepay transactions, which have now been assigned to Sterling CLN Trust, were supported by a guaranty from ENE.

(vi) Enron Euro Credit Linked Notes Trust. ENE is obligated under the promissory note originally issued to Citibank. Additionally, ENA's obligations under certain

Citibank/Delta prepay transactions, which have now been assigned to Euro CLN Trust, were supported by a guaranty from ENE.

51. Zephyrus/Tammy

a. Legal Structure. Project Tammy was a minority-interest investment involving the formation of EFP, a Delaware limited liability company. EFP invested in certain permitted assets, including debt securities of Sequoia. Refer to Section III.F.2., "Apache/Choctaw" for further information.

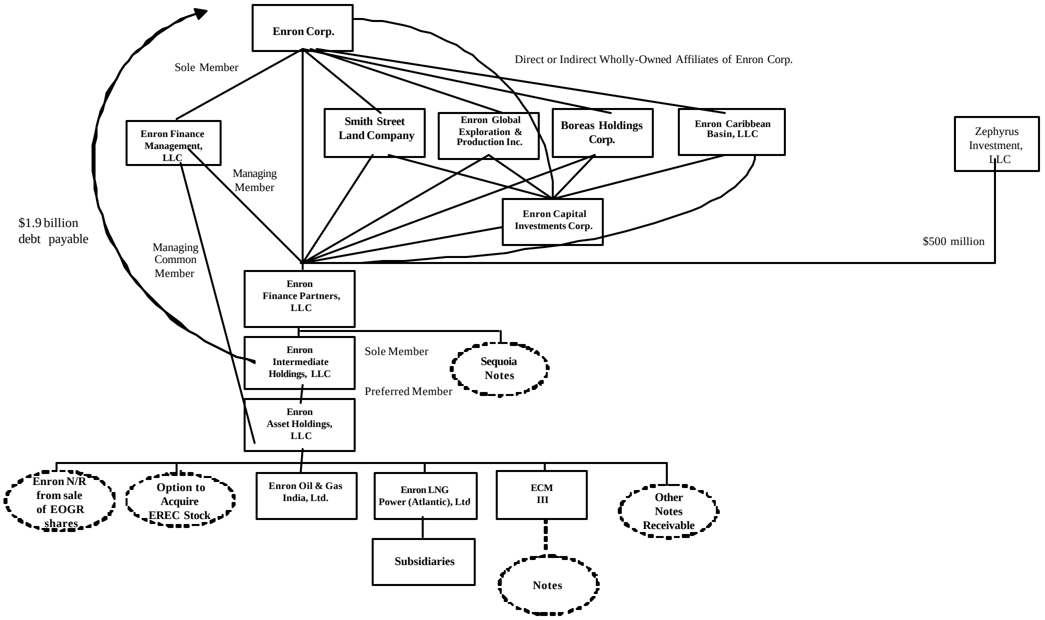
EFP has three classes of membership interests: Class A, Class B and Class C. The Class A Member is Enron Finance Management LLC and the Class B Members are ENE and various ENE subsidiaries. The Class B Members contributed certain assets in exchange for their Class B membership interest in EFP. EFP contributed these assets (except for a $125 million demand note issued by ENE) to EIH, in exchange for 100% of the membership interest in EIH. EIH, in turn, contributed these assets (other than a $200 million demand note issued by ENE) to EAH, in exchange for the Class B membership interest of EAH. As a result of the various contributions of these assets, (i) EFP holds a $125 million demand note, (ii) EIH holds a $200 million demand note, and (iii) EAH holds all of the remaining contributed assets.

In addition to the contribution of the assets by the Class B Members of EFP, Zephyrus, a Delaware limited liability company, contributed $500 million in cash in exchange for the Class C Membership Interest in EFP. Zephyrus was capitalized by a third-party syndication led by JPMCB contributing debt ($481.725 million) and equity ($18.275 million) to Zephyrus. The proceeds of Zephyrus's investment were used by EFP to purchase debt securities of Sequoia and other permitted investments.

Contemporaneous with the contribution of assets through the Tammy structure, certain ENE debt was assumed by the entities within the structure. Prior to Tammy, ENE issued, from time to time, various debt securities pursuant to a certain indenture. Project Tammy included the assignment and assumption of approximately $1.72 billion of the debt securities. After consummation of the series of assumptions and assignments of the obligations under the debt securities, (i) ENE continued to remain liable to the holders in respect of all of the debt securities issued under the indenture, (ii) each Class B Member remained liable to ENE in respect of such Class B Member's assumed obligations, (iii) EIH remained liable to ENE in respect of the EIH assumed obligations, and (iv) EFP was released from EFP's assumed obligations and was not liable to ENE in respect thereof.

In October 2002, Zephyrus purported to exercise its right to take control of the management of EFP.

b. Structure Diagram as of Initial Petition Date.



Enron Corp.
Sole Member
Direct or Indirect Wholly-Owned Affiliates of Enron Corp.
Enron Finance Management, LLC
Smith Street Land Company
Enron Global Exploration & Production Inc.
Boreas Holdings Corp.
Enron Caribbean Basin, LLC
Zephyrus Investment, LLC
Managing Member
Enron Capital Investments Corp.
$1.9 billion debt payable
Managing Common Member
$500 million
Enron Finance Partners, LLC
Enron Intermediate Holdings, LLC
Sole Member
Sequoia Notes
Preferred Member
Enron Asset Holdings, LLC
Enron N/R from sale of EOGR shares
Option to Acquire EREC Stock
Enron Oil & Gas India, Ltd.
Enron LNG Power (Atlantic), Ltd
ECM III
Other Notes Receivable
Subsidiaries
Notes

c. Significant Assets Associated with the Structure. As of the Initial Petition Date, EFP's significant assets were (a) a $125 million note receivable from ENE; (b) a $508 million note receivable from ENA; (c) a 100% equity interest in EIH; and (d) a $6 million note receivable from Sequoia.

At the Initial Petition Date, EIH's only significant assets were a $215 million ENE demand note and its Class B membership interest in EAH.

At November 30, 2001, EAH's assets were (a) $400,000 cash, (b) 100% of the stock of EOGIL, (c) a $32.5 million note receivable from EGEP China Company, a Mauritius company, (d) an ENE note receivable of $542 million representing proceeds from the sale of EOG stock, (e) a $20 million note receivable from Enron Finance Management, LLC, (f) a $1 option to purchase all of the common stock of EREC, (g) 100% of the stock of Enron LNG Power (Atlantic) Ltd., and (h) a derivative interest in a receivable representing proceeds from the sale of East Coast Power.

d. Significant Potential Liabilities of the Structure. EFP issued a class C preferred interest in the amount of $500 million.

EIH has a $1.9 billion payable to ENE in respect of ENE's obligation under the Harris Indenture Trust.

e. **Significant Potential Liabilities of Debtors**. ENE and ENA have payables to the structure, as discussed above. Refer to Sections IV.C.1.c., "Trading Litigation" and IV.C.1.d., "Litigation Related to Structures" for further information.

G. Related Party Transactions

Information included in this section represents a summary of ENE's 8-K filed November 8, 2001 and other ENE or third-party public filings and reports on the subject of ENE's related party transactions. The descriptions below, which are based on the Debtors' view of the historical facts and which are subject to further review, elaboration, or modification, are included for informational purposes. Others familiar with these proceedings may dispute all or part of these descriptions or assessments.

On October 28, 2001, ENE established the Powers Committee, which was charged "to examine and take any appropriate actions with respect to transactions between the Enron Companies and entities connected to related parties." The Powers Committee retained Wilmer, Cutler & Pickering as its counsel, which, in turn, retained Deloitte & Touche for independent accounting advice. On February 1, 2002, the Powers Committee released the Powers Report. Findings from the Powers Report included revelations about the extensive financial enrichment of certain former ENE employees and conclusions related to the objectives for, and implementation of, related party transactions. Significant detail describing the related party transactions is provided in the Powers Report, which is available online in the "Related Documents" section at http://www.enron.com/corp/por/.

1. Chewco

a. **General Summary**. From June 1993 through November 1997, an ENE subsidiary was the general partner and a third party, CalPERS, was the limited partner of Joint Energy, a $500 million joint venture investment partnership. Joint Energy was formed primarily to invest in and manage certain natural gas and energy related assets. In November 1997, Joint Energy made a liquidating distribution to CalPERS of $383 million. Concurrently, Chewco purchased a limited partnership interest in Joint Energy for $383 million, $132 million of which was financed by an interest-bearing loan from Joint Energy to Chewco, and $240 million of which was borrowed from a third-party financial institution, supported by a guarantee from ENE.

From December 1997 to December 2000, Chewco received distributions of $433 million from Joint Energy. Among other things, Chewco used a portion of these distributions to make repayments on its Joint Energy loan and to repay the additional borrowing from the third-party financial institution. In March 2001, ENE purchased Chewco's limited partnership interest in Joint Energy for $35 million. The impact of ENE's buyout was a consolidation of Joint Energy into ENE's consolidated financial statements. In September 2001, ENE paid an additional $2.6 million to Chewco in connection with a tax indemnification agreement between Joint Energy, Chewco, and ENE. Of the total purchase consideration, $26 million was used by Chewco to make a payment on the Joint Energy loan.

b. **Chewco Financial Restatement**. ENE's decision to consolidate Chewco was based on ENE's assessment that Chewco did not meet the accounting criteria to qualify as an unconsolidated SPE. As a result of Chewco's failure to meet the criteria, Joint Energy, in which Chewco was a limited partner, also did not qualify for nonconsolidation treatment. In its November 8, 2001 8-K, ENE reported the decision to consolidate both Chewco and Joint Energy beginning in November 1997.

2. The LJM Partnerships

a. General Background. Upon information and belief, LJM1 was formed as a private investment limited partnership in June 1999, and LJM2 was also formed as a private investment partnership a few months later in October 1999. They were described to the Board as potential sources of capital to buy assets from ENE, potential equity partners for ENE investments, and counterparties to help mitigate risks associated with ENE investments. The Board also was informed that LJM1 and LJM2 intended to transact business with third parties. Prior to approving Mr. Fastow's affiliation with LJM1 and LJM2, the Board determined that Mr. Fastow's participation in the partnerships would not adversely affect the interests of ENE. The Board approved the initial transaction with LJM1 and recognized that ENE might (but was not required to) engage in additional transactions with LJM1. ENE believes that the initial capital commitments to LJM1 were $16 million, and the aggregate capital commitments to LJM2 were $394 million. LJM1 was first disclosed as a related-party transaction in ENE's June 30, 1999 10-Q, and LJM2 was referenced in the 1999 10-K. In ENE's 2000 and 2001 proxy statements filed with the SEC, Andrew Fastow was identified by name as the "senior officer of Enron" involved with the LJM partnerships. ENE now believes that Mr. Fastow received in excess of $30 million relating to his LJM management and investment activities.

The Board directed that certain controls be put into place relating to Mr. Fastow's involvement with the partnerships and transactions between ENE and the LJM partnerships. The Board required review and approval of each transaction by the Office of the Chairman of the Board, the CAO, and the chief risk officer. The Board also recognized the ability of the Chairman of the Board to require Mr. Fastow to resign from the partnerships at any time, and directed that the Audit and Compliance Committee of the Board conduct annual reviews of transactions between ENE and LJM1 and LJM2 completed during the prior year. The proper implementation of these controls and procedures was one of the subjects of the Powers Committee's investigation.

b. Summary of LJM Transactions. From June 1999 through September 2001, ENE and ENE-related entities entered into 24 business relationships in which LJM1 or LJM2 participated. These relationships were of several general types, including: (1) sales of assets by ENE to LJM2 and by LJM2 to ENE; (2) purchases of debt or equity interests by LJM1 or LJM2 in ENE-sponsored SPEs; (3) purchases of debt or equity interests by LJM1 or LJM2 in ENE affiliates or other entities in which ENE was an investor; (4) purchases of equity investments by LJM1 or LJM2 in SPEs designed to mitigate market risk in ENE's investments; (5) the sale of a call option and a put option by LJM2 on physical assets; (6) transactions involving LJM and third parties; and (6) a subordinated loan to LJM2 from an ENE affiliate.

(i) Sale of Assets. In June 2000, LJM2 purchased dark fiber optic cable from EBS Inc. for a purchase price of $100 million. LJM2 paid EBS Inc. $30 million in cash and the balance in an interest-bearing note for $70 million. ENE recognized $67 million in pre-tax earnings in 2000 related to the asset sale. Pursuant to a marketing agreement with LJM2, EBS Inc. was compensated for marketing the fiber to others and providing operation and maintenance services to LJM2 with respect to the fiber. LJM2 sold a portion of the fiber to industry participants for $40 million, which resulted in EBS Inc. recognizing agency fee revenue of $20.3 million. LJM2 sold the remaining dark fiber for $113 million in December 2000 to Backbone 1 which was formed to acquire the fiber. Refer to Section III.F.3., "Backbone" for further information. In December 2000, LJM2 used a portion of the proceeds to pay in full the $70 million note and accrued interest owed to EBS Inc. through which it had purchased the dark fiber in June 2000. LJM2 earned $2.4 million on its resale of the fiber.

(ii) Purchases of Equity/Debt in Enron-Sponsored SPEs. Between September 1999 and December 2000, LJM1 or LJM2 purchased equity or debt interests in nine ENE-sponsored SPEs. LJM1 and LJM2 invested $175 million in the nine SPEs. These transactions enabled various Enron Companies to monetize assets and generated pre-tax earnings to ENE of $2 million in 1999.

ENE believes that LJM received cash of $15 million, $64 million, and $53 million in 1999, 2000 and 2001, respectively, relating to its investments in these entities. In three instances, third-party financial institutions also invested in the entities. LJM invested on the same terms as the third-party investors. In one of these nine transactions, an Enron Company entered into a marketing agreement with LJM2 that provided an Enron Company with the right to market the underlying equity. This arrangement gave an Enron Company profit potential in proceeds received after LJM2 achieved a specified return level. In six of these nine transactions, ENE repurchased all or a portion of the equity and debt initially purchased by LJM.

(iii) Investment in ENE Affiliates. In two transactions, LJM2 made direct and indirect investments in stock (and warrants convertible into stock) of New Power Holdings, Inc. which initially was a wholly owned subsidiary of ENE, and subsequently included other strategic and financial investors. In October 2000, New Power Holdings, Inc. became a public company.

In January 2000, LJM2 invested $673,000 in Cortez Energy Services LLC, a limited liability company formed by EES and LJM2, and an Enron Company contributed five million shares of New Power Holdings, Inc. stock to Cortez. In July 2000, in a private placement, LJM2 purchased warrants exercisable for New Power Holdings, Inc. stock for $50 million on the same terms as third-party investors.

In September 1999, LJM1 acquired from EBHL a 13% equity interest in a company owning a power project in Brazil for $10.8 million, and acquired redeemable preference shares in a related company for $500,000. ENE recognized a $1.7 million loss on the sale of these interests to LJM1. ENE recognized revenues of $65 million, $14 million, and $5 million from a commodity contract with the company owning the power project in 1999, 2000, and 2001, respectively. As part of an exclusive marketing arrangement to sell LJM1's equity in the project to third parties and to limit LJM1's return, EBHL paid LJM1 a $240,000 fee in May 2000. In 2001, EBHL repurchased LJM1's 13% equity interest and the redeemable preference shares for $14.4 million.

In December 1999, LJM2 paid NSH $30 million for a 75% equity interest in a power project in Poland. ENE recognized a $16 million gain in 1999 on the sale. An Enron Company paid $750,000 to LJM2 as an equity placement fee. In March 2000, NSH repurchased 25% of the equity in the Polish power project from LJM2 for $10.6 million, and a Whitewing subsidiary acquired the remaining 50% from LJM2 for $21.3 million. NSH and a Whitewing subsidiary still own their respective equity interests.

In December 1999, LJM2 acquired a 90% equity interest in BWT with ownership rights to certain natural gas reserves for $3 million. As a result, ENE recognized $3 million in revenue from an existing commodity contract. Subsequently, LJM2 assigned a portion of its ownership interest in the entity to ENA and a Whitewing subsidiary at no cost (to achieve certain after-tax benefits). Refer to Section III.F.6., "Bob West Treasure L.L.C." for further information.

(iv) Portfolio SPEs. ENE and LJM established a series of SPEs in order to mitigate market exposures on ENE investments, including investments in New Power Holdings, Inc., Rhythms NetConnections, Inc., and other technology, energy, and energy-related companies. LJM made $191 million in equity investments in five separate SPEs, three of which (Raptor I, II and IV) were also capitalized with ENE stock and derivatives that could have required the future delivery of ENE stock. Raptor III was capitalized with an economic interest in warrants convertible into stock of New Power Holdings, Inc. Refer to Section III.G.2.c., "LJM1 Financial Restatement" for information concerning the fifth SPE. An ENE subsidiary subsequently engaged in hedging transactions with these SPEs, which included price swap derivatives, call options, and put options. The derivatives and options generally were intended to hedge an ENE subsidiary's risk in certain investments having an aggregate notional amount of approximately $1.9 billion.

With respect to the four Raptor SPEs, ENE acquired LJM2's equity in the SPEs during the third quarter of 2001 for $35 million. ENE recognized pre-tax earnings (losses) relating to risk management activities of $119 million, $518 million, and ($166) million in 1999, 2000, and 2001, respectively, including the effect of a $711 million pre-tax charge recognized in 2001, related to the termination of the Raptor SPEs. During 2000 and the nine months ended September 30, 2001, the Raptor SPEs hedged losses of $501 million and $453 million, respectively. The fifth SPE was used to hedge an Enron Company's exposure arising from an investment in the stock of Rhythms NetConnections, Inc. However, it was subsequently determined that it did not meet the criteria to qualify for unconsolidated treatment. Refer to Section III.G.2.c., "LJM1 Financial Restatement" for further information.

In total, LJM1 and LJM2 invested $191 million and received $319 million (an estimated $95 million of which is non-cash value from the receipt of 3.6 million shares of ENE restricted stock) related to their investments in these five SPEs.

(v) Call Option. In May 2000, EECC purchased a call option from LJM2 on two gas turbines, at the same time that LJM2 contracted to purchase the gas turbines from the manufacturer. EECC paid LJM2 $1.2 million for this right during a seven-month period in 2000. The call option gave EECC the right to acquire these turbines from LJM2 at LJM2's cost, which was $11.3 million. The call option was subsequently assigned from ENA (which had acquired the option from EECC) to an ENE-sponsored SPE capitalized by a third-party financial institution. In December 2000, the call option was exercised by the SPE, and it acquired the turbines from LJM2 at cost.

(vi) Transactions with LJM and Other Entities. An Enron Company sold its contractual right to acquire a gas turbine to a utility for $15.8 million in July 2000. An Enron Company recognized a pre-tax gain of $3.5 million on the transaction. At the same time, the utility entered into a put option agreement with LJM2 relating to the turbine under which the utility paid LJM2 $3.5 million. Subsequently, upon the execution of an engineering, procurement, and construction contract with a wholly owned subsidiary of ENE, the utility assigned the contractual right to acquire the gas turbine to that subsidiary.

In December 1999, Enron Nigeria Barge Holding Ltd. sold an equity investment in Enron Nigeria Barge Ltd. to an investment bank and provided seller financing. In June of 2000, LJM2 purchased this equity investment directly from the investment bank for $7.5 million and the assumption of the seller-financed note from Enron Nigeria Barge Holding Ltd. In September 2000, LJM2 sold the equity investment to an industry participant for $31.2 million. The proceeds from LJM2's sale were used by LJM2 to repay the principal and interest on the note from Enron Nigeria Barge Holding Ltd. in the amount of $23 million. The remaining $8.2 million repaid LJM2's $7.5 million purchase price and provided a profit of $700,000 to LJM2.

(vii) Transaction between LJM and Whitewing. In December 1999, a wholly owned subsidiary of Whitewing entered into a $38.5 million credit agreement with LJM2, the borrower. The loan had a term of one year and carried an interest rate of LIBOR+2.5%. The loan amount (including interest) of $40.3 million was repaid by LJM2 in 2000.

(viii) Currently Outstanding LJM2 Transactions. ENE believes that LJM2 currently has interests in six of the investments described above in which LJM2 originally invested $124 million, and that LJM2 has received cash inflows of $27 million from these investments. These investments include $23 million in equity in two ENE-sponsored SPEs, $32.5 million in equity in Osprey, $3 million in equity in BWT, and $50.7 million in direct equity investments in New Power Holdings Co., Inc. (representing two transactions). Refer to Section III.F.41., "Osprey/Whitewing" for further information.

c. LJM1 Financial Restatement. ENE's decision that the LJM1 subsidiary should be consolidated in 1999 and 2000 is based on ENE's assessment that the subsidiary did not qualify for nonconsolidation treatment because of inadequate capitalization. At the time of the November 2001 restatement, ENE concluded that the hedging transactions in which ENE engaged with the LJM1 subsidiary (related to ENE's investment in the stock of Rhythms NetConnections, Inc.) should have been consolidated into ENE's financial statements for 1999 and 2000. This consolidation had the effect of reducing ENE's net income in 1999 and 2000 and shareholders' equity in 1999 and increasing shareholders' equity in 2000, thus eliminating the income recognized by ENE on these derivative transactions.

d. LJM2 Financial Restatement. The financial restatement associated with LJM2-related party transactions involved four SPEs known as the Raptors, which were created in

2000. The Raptors permitted ENE to hedge market risk in certain of its investments. During 2000 and the first nine months of 2001, the Raptors hedged losses related to ENE investments of $501 million and $435 million, respectively. The Raptors were originally capitalized with ENE common stock in exchange for a note receivable of $172 million. Subsequent contracts with the Raptors in the first quarter of 2001 obligated ENE to issue common stock in the future in exchange for notes receivable totaling $828 million. ENE originally accounted for the transactions by increasing notes receivable and shareholders' equity. The restatement arose due to ENE's belief, upon review, that the note receivable should have been presented as a reduction to shareholders' equity (similar to a shareholder loan). ENE also recorded a $200 million equity reduction related to the excess of the fair value of contracts deliverable by ENE over the notes receivable. The total impact was a reduction in shareholders' equity and notes receivable by $1.2 billion. ENE repurchased LJM2's equity interests in the Raptors in the third quarter of 2001 for $35 million.

e. LJM2 Co-Investment, L.P. Bankruptcy. Refer to Section IV.F.3., "LJM2" for further information.

3. RADR

According to the Kopper Agreement, in 1997, Michael Kopper and Andrew Fastow devised a scheme to enrich themselves through the sale of ENE's wind farms to two SPEs – RADR ZWS MM, LLC and RADR ZWS, LLC. Kopper and Fastow recruited friends of Kopper to act as equity investors in the RADR entities. These individuals received funds from Fastow through Kopper to make the investments. From 1997 through 2000, these two RADR entities generated approximately $4.5 million for the investors. The proceeds were later used to repay Fastow and to pay other ENE employees and their family members.

IV. Debtors' Chapter 11 Cases

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Significant Postpetition Developments

Given the complexity and enormity of these Chapter 11 Cases, there have been a number of significant occurrences in a variety of areas. The most significant of these are described below.

1. Venue

Shortly after the Initial Petition Date, a number of parties in interest filed motions pursuant to 28 U.S.C. § 1412 to transfer the venue of the Chapter 11 Cases from the Southern District of New York to the Southern District of Texas.

The Venue Movants argued that venue should be transferred to Texas essentially because the Enron Companies' headquarters, certain of its business operations, and many of its creditors were located there. The Debtors, the Creditors' Committee, and many other parties in interest opposed the motion, arguing, among other things, that (a) the Debtors' choice of forum in New York was entitled to deference; (b) the bulk of the relevant professionals for the Debtors, the Creditors' Committee, many of the largest creditors, and the capital markets necessary to assist in these cases were all located in New York; (c) these cases could be efficiently administered in New York; (d) due to the number of foreign insolvency proceedings, the New York court's experience with foreign proceedings was invaluable; and (e) the total creditor body was so widespread that a Texas forum would not be so overwhelmingly convenient for creditors as to justify overriding the Debtors' choice of venue.

After intensive discovery, a contested hearing was held before the Bankruptcy Court. On January 11, 2002, the Bankruptcy Court issued a forty-two page memorandum decision denying the motion for a change of venue. No party appealed, or sought leave to appeal, the Bankruptcy Court's venue decision.

2. Postpetition Financing

On the Initial Petition Date, the Debtors moved for entry of an interim and final order approving the DIP Credit Agreement. As set forth therein, the DIP Credit Agreement provided a credit facility in the aggregate amount of $1.5 billion, including a letter of credit subfacility up to the amount of the aggregate available commitment, the issuance of guarantees, and the granting of collateral by the parties thereto. On December 3, 2001, the Bankruptcy Court entered the Interim DIP Order approving the DIP Credit Agreement on an interim basis and authorizing borrowings and issuances of letters of credit in an amount up to $250 million.

Subsequent to the entry of the Interim DIP Order, the DIP Objectants interposed the DIP Objections to the entry of a final order approving postpetition financing for the Debtors. The majority of the DIP Objections were premised on either (i) the blanket imposition of liens, pursuant to the DIP Credit Agreement, on the assets of the Debtors in favor of the DIP Lenders, and/or (ii) the mechanics of the Debtors' existing cash management system, particularly the daily "sweep" of cash from ENA bank accounts to the ENE concentration account. Indeed, in that regard, certain of the DIP Objectants either joined separate pleadings of other creditors objecting to the continued use of the Debtors' existing cash management system or filed separate pleadings themselves in respect thereto.

Thereafter, the Bankruptcy Court conducted a multi-day evidentiary hearing with respect to the Debtors' use of cash. Upon conclusion and due deliberation, on February 21, 2002, the Bankruptcy Court directed the appointment of the ENA Examiner, and on February 25, 2002, the Bankruptcy Court entered an order permitting, among other things, the Debtors to continue using their centralized cash management system, subject to certain modifications. Refer to Section IV.A.4.a., "ENA Examiner" for further information. The modifications included, without limitation, an interim prohibition on Cash Sweeps from ENA to ENE and a grant of adequate protection for intercompany transfers in the form of superpriority Junior Reimbursement Claims and Junior Liens. Refer to Section IV.A.3., "Cash Management and Overhead Allocation" for further information.

The Debtors subsequently determined that, with the exception of letters of credit, they did not foresee the need to borrow funds in the form or manner as contemplated by the DIP Credit Agreement. As a result, the Debtors determined that, in the exercise of their sound business judgment, an amended postpetition credit facility, which would permit the Debtors to obtain up to $250 million in letters of credit, and to use such letters of credit in the operation of their businesses, would be optimal.

After various inquiries and preliminary discussions with potential alternative lenders and financial institutions, the Debtors determined that amending the DIP Credit Agreement was the most efficient means to obtaining the necessary credit support. On July 2, 2002, after notice and hearing, the Bankruptcy Court entered an order authorizing the Debtors to obtain postpetition financing pursuant to the Amended DIP Credit Agreement.

Essentially, the Amended DIP Credit Agreement permitted the Debtors to obtain up to $250 million in letter-of-credit financing, including a sub-limit of $50 million for the issuance of letters of credit for the benefit of non-Debtor affiliates, and to use such letters of credit in the operation of their respective businesses. Pursuant to the terms of the Amended DIP Credit Agreement, ENE deposited $25 million up-front in a letter of credit cushion account maintained at the offices of JPMCB, and each Debtor for whose benefit a letter of credit shall be issued shall place cash collateral in an amount equal to 110% of the face amount of such letter of credit in a separate deposit account maintained at the offices of JPMCB. The Amended DIP Credit Agreement does not require the Debtors to incur any new fees beyond those originally required under the DIP Credit Agreement. The Amended DIP Credit Agreement was scheduled to terminate on June 3, 2003.

On May 8, 2003, the Bankruptcy Court entered an order approving the extension of the Debtors' postpetition financing pursuant to the Second Amended DIP Credit Agreement. The extension decreases the aggregate amount available for letters of credit to $150 million, increases the sub-limit for letters of credit issued for the benefit of non-Debtor affiliates to $65 million, decreases the amount deposited by ENE in the letter of credit cushion account to $15 million, and decreases JPMCB's and Citicorp's annual fees as Collateral Agent and Paying Agent, respectively, to $200,000 each. The Second Amended DIP Credit Agreement is scheduled to terminate on June 3, 2004. ENE paid an extension fee to the DIP Lenders in an amount equal to 0.20% of the aggregate amount available under the Second Amended DIP Credit Agreement.

3. Cash Management and Overhead Allocation

Prior to the Initial Petition Date, and for a period of time thereafter, ENE's Cash Sweeps transferred revenues on a daily basis from the Debtors' (and ENE-controlled non-Debtors') bank accounts to an ENE concentration account. As reported by the ENA Examiner, the Cash Sweeps from ENA following the Initial Petition Date resulted in an intercompany receivable of approximately $481 million to ENA from ENE. Refer to Section IV.A.4.a., "ENA Examiner" for further information regarding the Cash Sweeps and the reports of the ENA Examiner with respect thereto.

On December 3, 2001, the Bankruptcy Court entered an order authorizing the Debtors to continue using their centralized cash management system. Thereafter, certain creditors, including creditors of ENA, filed motions to separate ENA from the Debtors' existing cash management system.

On February 25, 2002, after notice and a two-day evidentiary hearing, the Bankruptcy Court entered the Amended Cash Management Order, which was proposed by the Creditors' Committee with the consent of the Debtors. The Amended Cash Management Order authorizes the Debtors to continue using their centralized cash management system, subject to certain amendments. The amendments include, without limitation, a temporary prohibition on Cash Sweeps from ENA to ENE (later permanently extended by separate order) and a grant of adequate protection for intercompany transfers in the form of superpriority Junior Reimbursement Claims or Junior Liens, as defined below.

The Amended Cash Management Order provides:

> Notwithstanding any other Order of the Court, as adequate protection for each Debtor for the continued use of the Centralized Cash Management System, to the extent that any Debtor transfers (or transferred) property (including cash) following the Petition Date (the "Adequately Protected Debtor") to or for the benefit of any other Debtor (the "Beneficiary Debtor"), with an aggregate fair value in excess of the aggregate fair value of property (including cash) or benefit received by the Adequately Protected Debtor from the Beneficiary Debtor following the Petition Date, then…(a) the Adequately Protected Debtor shall have (x) an allowed claim against the Beneficiary Debtor for the fair value of property (including cash) or benefit transferred (net of any reasonable expenses for overhead or other services reasonably allocated or reasonably charged to the Adequately Protected Debtor), under Sections 364(c)(1) and 507(b), having priority over any and all administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, which claim shall bear interest at the Prevailing Rate…for the period accruing from and after the date such claim arises until repayment thereof (collectively, the "Junior Reimbursement Claim") and (y) a lien on all property of the Beneficiary Debtor's estate under Section 364(c)(3) of the Bankruptcy Code securing such Junior Reimbursement Claim ("Junior Lien"). . . .

Amended Cash Management Order, ¶ 5(a).

Such Junior Reimbursement Claims and Junior Liens are junior and subject and subordinate only to the superpriority claims and liens granted to the DIP Lenders and their agent in respect of the Debtors' DIP obligations.

Furthermore, the Amended Cash Management Order provides for extensive protections to the Debtors and their Creditors with respect to cash transfers by Debtors to non-Debtor affiliates. The Amended Cash Management Order also provides for certain reporting requirements as additional adequate protection for the continued use of the Debtors' cash management system. Furthermore, the Amended Cash Management Order directed the Debtors, after consultation with the Creditors' Committee, to develop a formula for the allocation of shared overhead expenses among Debtors and, if applicable, their non-Debtor affiliates.

On November 21, 2002, the Bankruptcy Court entered the Overhead Allocation Formula Order. The Overhead Allocation Formula Order provides that the Debtors may use the Allocation Formula to allocate shared overhead and other expenses among the Debtors and non-Debtors for the duration of the postpetition period. Under the Allocation Formula, shared overhead expenses include, but are not limited to: salaries and benefits; employee expenses; outside services; payroll taxes; depreciation; and general business expenses such as supplies, rents, and computer-related costs (including depreciation expenses). Shared overhead expenses include the total expenditures of ENE, EPSC, and ENW.

The Overhead Allocation Formula Order also provides for the allocation of other expenses not directly related to overhead, including expenses for professional services and permits certain expenditures relating to orderly dissolution of entities. Moreover, the Overhead Allocation Formula Order provides for certain terms and conditions that are specific to ENA and certain ENA-related entities.

4. Appointment of Examiners

a. ENA Examiner

(i) Appointment. During January and February 2002, approximately 10 different creditors, primarily trading creditors and sureties, moved for appointment of a trustee or examiner for ENA, appointment of a separate creditors' committee for ENA, or appointment of separate counsel for ENA. On February 21, 2002, in the midst of the cash management dispute described above, the Bankruptcy Court sua sponte directed the appointment of the ENA Examiner; and on March 12, 2002, the Bankruptcy Court approved the U.S. Trustee's appointment of Harrison J. Goldin as the ENA Examiner to serve in the Chapter 11 Case of ENA. On June 21, 2002, the Bankruptcy Court issued a memorandum decision denying the appointment of a separate committee or counsel for ENA.

(ii) Scope.

(A) Initial Scope Upon Appointment. Following the Bankruptcy Court's sua sponte appointment, by order dated February 21, 2002, the Bankruptcy Court entered an order concerning the scope of the ENA Examiner's duties. Specifically, the Bankruptcy Court directed the ENA Examiner to (i) prepare a report regarding the issues raised concerning ENA's continued participation in the Debtors' centralized cash management system, and (ii) participate in internal cash approval and risk assessment committees used by the Debtors in their ongoing operations. The Bankruptcy Court also directed the ENA Examiner to (i) perform such other tasks as may be agreed upon or recommended by parties in interest and approved by the Bankruptcy Court and (ii) engage in such other activities as the Bankruptcy Court subsequently authorized or directed.

(B) Initial Duties Defined. Following the submission of recommendations by parties in interest as to the specific duties of the ENA Examiner, by order dated March 6, 2002, the Bankruptcy Court directed that the ENA Examiner's duties be limited to investigation and filing of a "Cash Management Report" and recommendations concerning (i) the propriety of ENA's continued participation in the Debtors' centralized cash management system and (ii) the allocation of certain overhead expenses to ENA. This order provided that the ENA Examiner should file his report with the Bankruptcy Court no later than 20 business days from the date of entry of an order approving the U.S. Trustee's appointment. Moreover, the order directed that the ENA Examiner file a weekly list of all deposits and disbursements made into and out of the Consolidation Account[22] and that the ENA Examiner file a written report, at least monthly, regarding the status of ENA's cash, cash equivalents, proceeds of the sale of ENA assets, and advances from direct and indirect subsidiaries and affiliates of ENA.

(C) ENA Plan Facilitator. In connection with the first extension of the Debtors' Exclusive Filing Period, by order dated April 24, 2002, the Bankruptcy Court expanded the role of the ENA Examiner to provide that the ENA Examiner will serve as a "facilitator of a chapter 11 plan in the ENA chapter 11 case." Refer to Section IV.A.6., "Exclusivity" for further information regarding extensions of the Debtors' Exclusive Periods.

(D) Expanded Duties. On May 8, 2002, the Bankruptcy Court approved and entered the Expanded Duties Order, which incorporated all of the recommendations proposed in the ENA Examiner Interim Report, and, subject to certain conditions, permanently extended the prohibition on Cash Sweeps from ENA to ENE, as proposed by the Debtors themselves, following discussions with the Creditors' Committee. Pursuant to the Expanded Duties Order, the scope of the ENA Examiner's role was expanded to include, among other things, reporting on a proposed methodology for repayment of net intercompany receivables, continuing to monitor the meetings of the BTRC, reporting on how any modification to the Debtors' DIP financing affects ENA, and working with the Debtors, the Creditors' Committee and other parties in interest to facilitate the chapter 11 plan process for ENA and its subsidiaries as expeditiously as possible.

(E) Conflicts Examiner. On June 2, 2003, the Bankruptcy Court further expanded the ENA Examiner's duties by authorizing him to investigate five institutions as to which the ENE Examiner has a conflict of interest. On June 24, 2003, the Bankruptcy Court approved the ENA Examiner's retention of Thelen, Reid & Priest LLP to serve as his special counsel in connection with his duties as conflicts examiner.

(iii) ENA Examiner's Reports.

(A) Weekly Reports. The ENA Examiner continues to investigate and monitor the cash activities of ENA, and files weekly cash reports with the Bankruptcy Court.

22 As noted in the ENA Examiner's Interim Report, the Bankruptcy Court's March 6, 2002 order did not specifically define the "Consolidation Account," but referred to a definition in the Amended Cash Management Order. However, the Amended Cash Management Order did not define "Consolidation Account" either. Thus, the ENA Examiner interpreted it to mean the account into which the cash of ENA is swept and consolidated.

(B) Interim Cash Management Reports. On April 9, 2002, the ENA Examiner filed the ENA Examiner Interim Report.[23] In this report, the ENA Examiner preliminarily found that "it is highly likely that more than sufficient assets exist subject to the Junior Liens for repayment of ENA postpetition transfers to Enron." In addition, the ENA Examiner found that there had not been any cash transfers from ENA to ENE since February 25, 2002 and future Cash Sweeps had been frozen indefinitely. Finally, the ENA Examiner concluded that his participation in the Debtors' centralized cash management system "provide[s] significant protection of ENA Cash, assets and liabilities and . . . provide[s] significant assurance that the" net intercompany receivable for amounts transferred by ENA for the benefit of other Debtors under the cash management system "will ultimately be repaid." The ENA Examiner Interim Report identifies the factual and legal conclusions of the ENA Examiner based upon his investigation of the topics set forth therein. The ENA Examiner Interim Report also proposed certain recommendations regarding the scope of any further investigation by the ENA Examiner, which resulted in the approval of the Expanded Duties Order.

(C) Reports Concerning Joint Plan Efforts. On October 30, 2002, the ENA Examiner issued a report and recommendation regarding the Debtors' requested extension of exclusivity. In this report, the ENA Examiner stated that a joint chapter 11 plan, "if workable and equitable, is the preferable solution to these cases." The ENA Examiner issued another report concerning the joint plan efforts of the Debtors and the Creditors' Committee on February 10, 2003. In this report, the ENA Examiner described (i) the status of the plan process among the Debtors and the Creditors' Committee, (ii) the cooperation and productive dialogue exchanged between the ENA Examiner and the Debtors, including numerous meetings with the Debtors' CEO and other members of senior management, (iii) the scheduling of future sessions with the Debtors' financial advisor to review in detail the Blackstone Model and the underlying data it contains, as well as its assumptions and probabilities, and (iv) the sharing of factual and legal analysis by the Debtors and the Creditors' Committee concerning the issue of substantive consolidation of the estates of ENE and ENA. In his capacity as plan facilitator, the ENA Examiner stated that he "continues to believe that a joint plan of reorganization with weighted distributions, if workable, equitable and developed timely, is the preferred solution to these cases." On May 5, 2003, the ENA Examiner issued his latest report on the status of the development of a chapter 11 plan. The ENA Examiner described the ongoing plan process entailing numerous in-depth meetings over a three-month period, including a comprehensive review of the Blackstone Model and analysis and deconstruction of the Debtors' plan proposal. The ENA Examiner explained that the Debtors and their financial advisor provided the ENA Examiner full access to the Blackstone Model. The ENA Examiner also described meetings with representatives of the Debtors and the Creditors' Committee to discuss the compromise underlying the Plan, which meetings provided the ENA Examiner with essential information critical to his role as plan facilitator. Based on the knowledge and understanding gained through the numerous discussions and meetings regarding the Plan proposal, the ENA Examiner stated that he was in the process of preparing a counter-proposal to the Plan negotiation among the Debtors and the Creditors' Committee. The ENA Examiner also stated that he "continues to believe that a joint plan of reorganization with weighted distributions, if workable, equitable and developed timely, is the preferred solution to these cases."

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[23] The ENA Examiner Interim Report can be found at http://www.enron.com/corp/por.

(D) Status of Plan Facilitation. As described in the May 5, 2003 report on the development of a joint plan, the ENA Examiner continued to meet with the Debtors and representatives of the Creditors' Committee throughout May and June 2003 to discuss the Plan. These discussions have been ongoing and have included in-person meetings as well as an exchange of written materials. The compromises and settlements incorporated into the Plan reflect an agreement reached among the Debtors, the Creditors' Committee, and the ENA Examiner.

b. ENE Examiner.

(i) Appointment. Between January and March 2002, approximately 12 creditors filed motions (and joinders) for appointment of a trustee, appointment of either a trustee or examiner, or appointment of an examiner for ENE. Refer to Section IV.D.1.d., "Requests for Additional Committees" for further information. Ultimately, the Debtors agreed to the appointment of the ENE Examiner, and, as a result of many negotiating sessions with divergent creditor groups and the SEC, the parties agreed upon the terms of an order for the appointment of the ENE Examiner, which included delineation of the examiner's duties. All pending motions for appointment of a trustee were withdrawn.

On May 22, 2002, the U.S. Trustee appointed Neal Batson as the ENE Examiner. The Bankruptcy Court, by order dated May 24, 2002, approved the U.S. Trustee's appointment of the ENE Examiner. The ENE Examiner selected Alston & Bird LLP (a law firm in which he is a non-equity partner) as attorneys to the ENE Examiner. The Examiner also selected Plante & Moran, LLP as the primary accounting firm to assist in this examination, supported by George Bentson and Al Hartgraves, professors of accounting at the Goizueta Business School at Emory University. The retention of the ENE Examiner's Professionals has been approved by the Bankruptcy Court.

(ii) Scope. In April 2002, the Bankruptcy Court entered the April 8th Order directing the appointment of an examiner to:

> inquire into, inter alia, all transactions (as well as all entities as defined in the Bankruptcy Code and prepetition professionals involved therein): (i) involving special purpose vehicles or entities created or structured by the Debtors or at the behest of the Debtors (the "SPEs") that are (ii) not reflected on the Enron Corp. balance sheets, or that (iii) involve hedging using the Enron Corp. stock or (iv) as to which the Enron Examiner has the reasonable belief are reflected, reported or omitted in the relevant entity's financial statements not in accordance with generally accepted accounting principles, or that (v) involve potential avoidance actions against any prepetition insider or professional of the Debtors.

The April 8th Order further provides that the ENE Examiner shall:

> if appropriate, include in a report (taking into account the absolute priority rule, the financial condition of the Debtors' estates and the

need not to waste value available to creditors) whether or not there is a legal mechanism for holders (except entities affiliated with Debtors) of any equity interest in the Debtors to share in the Debtors' estate.

(iii) ENE Examiner's First Report. On September 21, 2002, the ENE Examiner filed his First Interim Report, which focused on six SPE transactions. The ENE Examiner concluded that those transactions were, in varying degrees, capable of being recharacterized under a "true sale" challenge. The ENE Examiner's First Interim Report identifies the factual and legal conclusions of the ENE Examiner based upon his investigation of the transactions discussed therein. Refer to "Related Documents" at http://www.enron.com/corp/por/ for a copy of the ENE Examiner's First Interim Report.

(iv) ENE Examiner's Second Report. On March 5, 2003, the ENE Examiner filed his Second Interim Report. This report focuses on substantially all of the Enron Companies' material SPEs identified as of the date of the report. The ENE Examiner's Second Interim Report identifies the factual and legal conclusions of the ENE Examiner based upon his investigation of the transactions discussed therein. Significant detail describing the related-party transactions is provided in Appendix L to the ENE Examiner's Second Interim Report. In addition, the Second Interim Report:

- Provides the ENE Examiner's preliminary views of the role of the SPEs in the decline of the Enron Companies;
- Sets forth the ENE Examiner's conclusions regarding the susceptibility of the SPEs to "true sale" or substantive consolidation challenges; and
- Identifies the transactions that the ENE Examiner perceives as potential avoidable transfers.

Refer to "Related Documents" at http://www.enron.com/corp/por/ for a copy of the ENE Examiner's Second Interim Report.

(v) ENE Examiner's Third Report. On July 28, 2003, the ENE Examiner filed his Third Interim Report, the primary focus of which was certain persons and entities that may have responsibility under applicable legal standards for alleged misuse of the Debtors' SPEs. The ENE Examiner's Third Interim Report identifies the factual and legal conclusions of the ENE Examiner based upon his investigation of the matters set forth therein. Specifically, the report concludes that:

- There is evidence to support a claim that (i) certain senior officers of ENE breached their fiduciary duties under applicable law by causing the Debtors to enter into SPE transactions that were designed to manipulate the Debtors' financial statement and that resulted in the dissemination of financial information known by these officers to be materially misleading, and (ii) these wrongful acts caused direct and foreseeable harm to ENE, and resulting harm to third parties that dealt with ENE;

- There is evidence to support a claim that (i) certain financial institutions that were involved in ENE's SPE transactions had actual knowledge of the wrongful conduct of these officers, (ii) these financial institutions gave substantial assistance to the officers by participating in the structuring and closing of the SPE transactions, and (iii) injury to the Debtors was the direct or reasonably foreseeable result of such conduct; and

- There is evidence of inequitable conduct by certain financial institutions in connection with the SPE transactions, such that a court could find that the claims of such financial institutions, totaling in excess of $5 billion, may be equitably subordinated to the claims of other creditors.

Additionally, the report addresses the investigation of certain specific avoidance actions and concludes that certain transfers could be recovered by the Debtors' estates.

Refer to "Related Documents" at http://www.enron.com/corp/por/ for a copy of the ENE Examiner's Third Interim Report.

(vi) ENE Examiner's Additional Reports. It is anticipated that the ENE Examiner will file one additional report reflecting the completion of his analysis.

(vii) Expansion of Duties to Include NEPCO. By order dated October 7, 2002, the Bankruptcy Court expanded the scope of the ENE Examiner's role to address issues raised by several NEPCO customers and creditors of customers who had asserted, among other things, that the NEPCO Debtors had been injured by Cash Sweeps into ENE's cash management system and that a constructive trust for the benefit of certain NEPCO creditors should be imposed on cash swept by ENE. The Bankruptcy Court directed the ENE Examiner to investigate ENE's acquisition and use of NEPCO's cash through the cash management system. Specifically, the ENE Examiner investigated the following issues: (a) the amounts and timing of sweeps of cash generated by NEPCO into the cash management system; (b) the sources of the NEPCO cash swept in the cash management system; (c) the disposition of the swept cash by ENE, including the location of deposits and the details of its use, if any; (d) whether the swept NEPCO cash can be traced; (e) whether any fraud, dishonesty, incompetence, misconduct, mismanagement or irregularity by NEPCO or ENE occurred in connection with the Cash Sweeps; and (f) whether the factual and legal predicates for the imposition of a constructive trust for the amount of the cash swept by ENE may be asserted by NEPCO.

The ENE Examiner has not analyzed certain issues regarding the postpetition conduct of NEPCO, the former management of NEPCO or others, and is awaiting direction from the Bankruptcy Court regarding any further investigation.

(viii) ENE Examiner's Report Relating to NEPCO. The ENE Examiner issued an initial report relating to NEPCO on April 7, 2003. The ENE Examiner's report relating to NEPCO identifies the factual and legal conclusions of the ENE Examiner based upon his investigation of the matters set forth therein. In summary, the report notes that with respect to the above issues: (a) the Cash Sweeps occurred as a daily process of the cash management system and were not the result of an "eve of bankruptcy" transfer; (b) the cash was received by NEPCO as a result of collections from (primarily domestic) construction customers; (c) the cash was used by ENE for general corporate purposes; (d) the cash could theoretically but not practically be traced; (e) the ENE Examiner found no evidence of fraud, negligence, or other malfeasance with regard to NEPCO's participation in the cash management system; and (f) the requisite elements for the imposition of a constructive trust by NEPCO over the funds swept to ENE under the cash management system do not appear to be present.

The ENE Examiner concluded that NEPCO would be unable to establish the elements required to impose a constructive trust and that the time, expense, and uncertainty involved in tracing accounts and other assets not included in the cash management system were unwarranted. Consequently, the ENE Examiner recommended that it not conduct any further tracing.

5. Automatic Stay

Under section 362 of the Bankruptcy Code, substantially all pending litigation and other attempts to collect on outstanding Claims against the Debtors as of such Debtor's respective Petition Date are stayed while the Debtors continue business operations as Debtors in Possession. As to all pending lawsuits to which the automatic stay is applicable, the Debtors have taken the position that they will not, except in extraordinary cases, allow the litigation to proceed where there is a possibility that judgment could be entered against one or more Debtors. Accordingly, all such litigation remains stayed as of the date hereof, except in those limited situations where the Debtors have either voluntarily agreed to a modification of the automatic stay or the Bankruptcy Court has so ordered. Refer to Section IV.C., "Litigation and Government Investigations" for further information.

Four general categories of motions to lift the automatic stay have been filed in the Debtors' Chapter 11 Cases:

a. Contract Lift Stay Motions. Contract Lift Stay Motions have been filed by counterparties seeking to terminate certain contracts. With respect to the Contract Lift Stay Motions, except in those situations where the Debtors have determined it to be in their estates' best interests to allow the subject contracts to be terminated, the Debtors have opposed each and every such motion, and the Bankruptcy Court has refused to grant relief to allow the termination.

b. Litigation Lift Stay Motions. Certain parties have filed Litigation Lift Stay Motions seeking to continue prosecution of prepetition litigation against the Debtors. With respect to the Litigation Lift Stay Motions, except in those limited circumstances in which the Debtors agreed to such relief because allowing such prepetition litigation would have no impact on Debtors' chapter 11 estates, the Debtors have opposed all such motions. The Bankruptcy Court has generally refused to permit the prepetition litigation to proceed, except in certain limited circumstances. Refer to Section IV.C., "Litigation and Government Investigations" for further information.

c. Setoff Lift Stay Motions. Setoff Lift Stay Motions have been filed by parties seeking to effect setoffs of debts owed as between the Debtors and third parties. With respect to the Setoff Lift Stay Motions, where the Debtors have sufficient information to evaluate the relief requested, the Debtors have agreed to a modification of the automatic stay in those instances where so doing was, in the Debtors' reasonable business judgment, beneficial to their chapter 11 estates. Otherwise, Debtors have opposed all such motions, and the Bankruptcy Court has generally refused to allow such setoffs to occur.

d. Lift Stay to Compel Arbitration Motions. Refer to Section IV.C., "Litigation and Government Investigations" for further information.

6. Exclusivity

Section 1121(b) of the Bankruptcy Code provides for an Exclusive Filing Period of 120 days after the commencement of a chapter 11 case, during which a debtor has the exclusive right to file a plan of reorganization. In addition, section 1121(c)(3) of the Bankruptcy Code provides that if the debtor files a plan within the Exclusive Filing Period, it has an Exclusive Plan Solicitation Period of 180 days after commencement of the chapter 11 case to obtain acceptances of such plan. Pursuant to section 1121(d) of the Bankruptcy Code, the Bankruptcy Court may, upon a showing of cause, extend or increase the Exclusive Periods.

Prior to the expiration of the initial Exclusive Periods, the Debtors sought an extension of such periods, citing a multitude of factors, including: (i) the size and complexity of the Debtors' Chapter 11 Cases; (ii) the substantial efforts required to stabilize and rehabilitate the Debtors' businesses, including the sale of Debtors' trading business; and (iii) the need to conduct a thorough analysis of the Debtors' complex business and financing transactions in order to form an accurate picture of Debtors' assets and liabilities.

By order dated April 24, 2002, the Bankruptcy Court entered an order extending the Exclusive Periods through August 31, 2002 for the Exclusive Filing Period and October 30, 2002 for the Exclusive Plan Solicitation Period for ENA only, and October 1, 2002 for the Exclusive Filing Period and November 29, 2002 for the Exclusive Plan Solicitation Period for all other Debtors. Subsequently, both ENA and the other Debtors found it necessary to seek additional extensions of their Exclusive Periods. The Bankruptcy Court granted such extensions, as summarized in the table below.

Date of Court Order	ENA Exclusive Filing Period Extended To	ENA Exclusive Plan Solicitation Period Extended To	Other Debtors' Exclusive Filing Period Extended To	Other Debtors' Exclusive Plan Solicitation Period Extended To
April 24, 2002	August 31, 2002	October 30, 2002	October 1, 2002	November 29, 2002
September 25, 2002	November 30, 2002	January 31, 2003	n/a	n/a
October 31, 2002	January 31, 2003	March 31, 2003	January 31, 2003	March 31, 2003
February 20, 2003	April 30, 2003	June 30, 2003	April 30, 2003	June 30, 2003
May 13, 2003	June 30, 2003	November 29, 2003	June 30, 2003	November 29, 2003

Date of Court Order	ENA Exclusive Filing Period Extended To	ENA Exclusive Plan Solicitation Period Extended To	Other Debtors' Exclusive Filing Period Extended To	Other Debtors' Exclusive Plan Solicitation Period Extended To
June 30, 2003	July 11, 2003	n/a	July 11, 2003	n/a

On July 11, 2003, the Debtors filed their Plan and accompanying Disclosure Statement, thereby preserving their Exclusive Plan Solicitation Period, which will expire on November 29, 2003, unless further extended by the Bankruptcy Court.

7. Executory Contracts and Unexpired Leases

Section 365 of the Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the counterparty to the agreement may file a claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

On January 9, 2002, the Bankruptcy Court approved an order providing for certain procedures governing the rejection of executory contracts and unexpired leases on limited notice. This procedure alleviated additional expense to the Debtors' estates and the attendant delay that would have resulted if the Debtors had been required to proceed by separate motion and hearing for every executory contract and unexpired lease they determined to reject. The procedures were amended by a Bankruptcy Court order dated April 11, 2002, to address certain issues relating to the rejection of certain contracts for the physical delivery of power and gas to end users. Under the rejection procedures, the Debtors have rejected in excess of 40,000 unnecessary and economically burdensome contracts.

In addition, the Debtors have to date assumed only one contract not assigned in connection with an asset sale or settlement agreement. By order dated February 13, 2003, ENE assumed a Framework Management Agreement with Equity Trust, which serves as in-country managing director to manage ENE's direct and indirect Dutch corporations and limited partnerships. Refer to Section IV.B., "Settlements and Asset Liquidations" for further information.

8. Employee Matters

a. Compensation and Benefits Programs. Except as otherwise provided in the Plan, on the Effective Date, the Debtors or Reorganized Debtors will assume all of their tax-qualified defined benefit pension plans, tax-qualified defined contribution retirement plans, health and welfare benefit plans (medical and health, life insurance, death, dental, vision care, short and long-term disability, retiree medical and dental and supplemental unemployment), performance-based incentive plans, retention plans, workers' compensation programs, and directors and officers indemnifications included in the bylaws and/or certificates of incorporation and insurance plans for the duration of the period for which the Debtors have obligated themselves to provide such benefits. Notwithstanding the foregoing, the Debtors or Reorganized

Debtors may seek to amend, modify, or terminate any of the foregoing. The obligations, if any, of each Debtor in respect of the foregoing, as modified, will, on the Effective Date, be assumed by and become obligations of the Reorganized Debtors.

b. Employee Retention Plans.

(i) Prepetition Retention Arrangements. In November 2001, retention payments totaling approximately $55 million were made to approximately 600 of the Debtors' employees. Receipt of these payments was predicated on the recipient employees remaining employed for a 90-day period ending on February 28, 2002. In addition, recipients were required to sign an agreement to repay 125% of the retention payment in the event they voluntarily terminated their employment prior to February 28, 2002. The payments are referred to in the Severance Settlement Litigation as the "90 Day Payments."

During 2002, ENE filed motions with the Bankruptcy Court seeking to provide additional retention incentives to certain recipients of the 90 Day Payments through a waiver of potential preference and/or fraudulent conveyance avoidance actions related to the 90 Day Payments. In exchange, the covered employees would be required to release certain claims against the Debtors. In August 2002, the Bankruptcy Court granted the motion with respect to current employees who did not hold officer level positions at the time of bankruptcy, and has reserved ruling on the remainder of the relief requested.

(ii) Key Employee Retention Plan I. On May 8, 2002, the Bankruptcy Court approved KERP I. KERP I provided eligible employees with certain retention and/or severance benefits. KERP I also provided for a "liquidation incentive pool," pursuant to which covered employees, who were not eligible to receive retention and/or severance payments, were eligible to receive bonus payments based upon the amount recovered in liquidating certain contracts and non-core Debtor assets. All final payments to eligible participants under KERP I were, and are, contingent upon the participants executing waivers and releases of claims against the Debtors (except for certain claims, such as those related to ERISA plan benefits, deferred compensation plan benefits, workers' compensation benefits, and unemployment insurance benefits).

Under the retention component of KERP I, participants were awarded bonuses, 25% of which was payable on the last business day preceding each of May 31, 2002, August 31, 2002, November 31, 2002, and February 28, 2003. The remaining 75% was payable upon the earlier of: (i) February 28, 2003 or (ii) the participant's death, disability, or involuntary termination of employment. If a participant voluntarily resigned or was terminated for "cause" prior to receiving a payment, remaining payments were forfeited. Any amounts forfeited were made available to be reallocated by the Debtors' Management Committee. The maximum amount available for retention bonuses was $40 million and the maximum amount available for severance payments was $7 million. The retention and severance benefit components of KERP I expired on February 28, 2003.

Under the Liquidation Incentive Pool component of KERP I, a LIP Participant may share in a pool funded by the cash generated from the liquidation of certain of the Debtors' assets that began on March 1, 2002. The maximum amount payable under the Liquidation Incentive Pool is $90 million. The Liquidation Incentive Pool is calculated as follows:

Accrual %	Incremental Cash Collected	Cumulative Cash Collected	Maximum Incremental Accrual	Maximum Cumulative Accrual
0.50%	$1 billion	>$500 million to $1 billion	$5.0 million	$5.0 million
0.50%	$1 billion	>$1 billion to $2 billion	$5.0 million	$10.0 million
0.50%	$1 billion	>$2 billion to $3 billion	$5.0 million	$15.0 million
1.00%	$1 billion	>$3 billion to $4 billion	$10.0 million	$25.0 million
1.00%	$1 billion	>$4 billion to $5 billion	$10.0 million	$35.0 million
1.00%	$1 billion	>$5 billion to $6 billion	$10.0 million	$45.0 million
1.50%	$1 billion	>$6 billion to $7 billion	$15.0 million	$60.0 million
1.50%	$1 billion	>$7 billion to $8 billion	$15.0 million	$75.0 million
1.50%	$1 billion	>$8 billion to $9 billion	$15.0 million	$90.0 million

The Liquidation Incentive Pool is distributed to LIP Participants following established LIP Collection Milestone of $500 million actually collected from the sales of covered assets. Each time a LIP Collection Milestone is achieved, the Debtors' Management Committee allocates amounts for distribution under the Liquidation Incentive Pool among such LIP Participants as it determines, in its sole discretion, in the form of a liquidation bonus. LIP Collection Milestones may be achieved until the earlier of (a) the date on which all covered assets have been sold or liquidated, (b) the date the Debtors determine not to sell the covered assets or (c) the consummation of a plan of reorganization; provided, that if a LIP Participant has taken substantial steps to conclude a sale of assets prior to the consummation of a plan of reorganization, the Management Committee may consider the proceeds from such sale in determining whether a LIP Collection Milestone has been achieved.

Fifty percent of the liquidation bonus is paid as soon as practicable after each LIP Collection Milestone is achieved. The remaining 50% is deferred and distributed following the earlier of (i) the consummation of a plan of reorganization, (ii) involuntary termination, death, or disability, and (iii) the following dates with regard to any liquidation bonuses payable on each $3 billion of incremental cash collected: (a) a date that is 12 months following the accrual date for up to the first $3 billion of incremental cash collected, (b) a date that is nine months following the accrual date for up to the second $3 billion of incremental cash collected, and (c) a date that is six months following the accrual date for up to the third $3 billion of incremental cash collected. The Management Committee in its sole discretion determines a LIP Participant's liquidation bonus.

LIP Participants who voluntarily resign prior to payment or who are terminated for cause prior to receipt of any deferred payments, forfeit the remaining portion of any deferred liquidation bonus. Any amount forfeited may be reallocated in such amounts, at such times and among such participants as determined by management in its sole discretion. Any amounts reallocated to other LIP Participants shall be deemed part of their liquidation bonus.

KERP I was amended, as approved by Bankruptcy Court order dated October 31, 2002, to allow further ease of administration and to permit an additional reallocation of funds available under KERP I.

KERP I had fewer than 1,000 participants in each quarter, with a total of 1,004 participants over the course of the four quarters. Cash payments under the retention component of KERP I equaled approximately $10.5 million, and deferred payments equaled approximately $27.7 million. Unallocated funds at the close of KERP I were approximately $1.8 million. For the Liquidation Incentive Pool, all information is through Milestone 5 (meaning cash collected was greater than $4 billion, but less than $5 billion). Cash payments for Milestone 1 through Milestone 5 equaled approximately $6.2 million. The deferred balance for Milestone 2 through Milestone 5 equals approximately $4.3 million. Deferred payments for Milestone 1 and payments made, or in the process of being made, due to involuntary terminations of employment equal approximately $1.3 million. Unallocated funds equal approximately $600,000. The unused amounts under KERP I were made available for payments under KERP II.

(iii) Key Employee Retention Plan II. On February 6, 2003, the Bankruptcy Court granted the Debtors' motion to approve KERP II. KERP II became effective on March 1, 2003. In most material respects, KERP II mirrors the retention and severance components of KERP I, providing key employees with certain retention and/or severance benefits. In general, all full-time employees of the Debtors are eligible to receive either severance benefits or retention payments under KERP II unless otherwise covered by another plan providing similar benefits. However, an employee is not eligible for final payment if the employee resigns or is terminated for cause. To receive a final payment, employees must sign a general release similar to that for KERP I.

(A) Retention Payments. Certain of the Debtors' employees whose skills or knowledge are critical to the Debtors are eligible to receive retention payments. In KERP II, the Debtors are authorized to make retention payments of up to $29 million, in addition to any funds carried over from KERP I. KERP II expires on February 27, 2004. Participants who are eligible for retention payments are provided with a quarterly target. At any quarter end or throughout the course of KERP II, the target could be subject to change due to a participant's performance or the changing needs of the Debtors' estates. Fifty percent of the earned quarterly retention is paid as soon as practicable following the close of each plan quarter (May 30, August 29, November 28, 2003, and February 27, 2004). The remaining 50% of the earned retention in each quarter is non-vested, deferred, and will be paid to the employee upon involuntary termination or as soon as practicable after February 27, 2004.

(B) Severance Benefits. Certain of the Debtors' employees who are neither covered by another plan nor covered by the liquidation incentive pool under KERP I, and who are involuntarily terminated without cause at any time during the term of

KERP II are eligible for severance benefits under KERP II. Under the Plan, severance benefits will be a minimum of $4,500 and a maximum calculated to be the greater of: (x) two weeks base pay for every full or partial year of service, with a maximum of eight weeks pay; or (y) two weeks base pay for every full or partial year of service, plus two weeks base pay for every $10,000 increment, or part thereof, in base salary, with the total sum calculated under this subclause (y) not to exceed $13,500. Severance benefits for participants who are also eligible for retention payments are subject to offset. To the extent such a participant's severance benefits would exceed the total retention payments received, the participant receives the difference to bring his total amount up to the severance benefits amount. If total retention payments received by any such participant exceed amounts payable as severance benefits, no severance benefits are payable.

(iv) Future Arrangements. Consistent with its business needs and the goal of maximizing value for all of its creditors, ENE continues to evaluate the need for ongoing retention incentives relative to the preservation of value and continuation of the Debtors' estates, the liquidation of non-core assets and the ultimate distribution of interests of PGE, CrossCountry, and Prisma. Consistent with this intent, at Sections VIII.E., "Equity Compensation Plan", IX.H., "Equity Compensation Plan" and X.E., "Equity Compensation Plan" provision is made for the anticipated creation of long-term equity incentive plans for key employees and non-employee directors of PGE, CrossCountry and Prisma, respectively. In addition, following the effectiveness of the Plan, in order to retain and motivate highly competent persons as key employees, the Debtors or Reorganized Debtors (as may be applicable), anticipate adopting a retention incentive compensation and severance pay plan providing for cash-based awards to such individuals over the term of the plan and/or upon termination of employment. The amount of awards to be provided under such plan is expected to be determined following consultation with the Creditors' Committee. If the Debtors determine that other incentives are warranted, approval of the Bankruptcy Court and/or Creditors' Committee will be sought.

c. Retiree Benefits. Except as noted below, on and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Debtors will continue to pay all retiree benefits (within the meaning of section 1114 of the Bankruptcy Code), at the level established in accordance with section 1114 of the Bankruptcy Code, at any time prior to the Confirmation Date, for the duration of the period for which the Debtors have obligated themselves to provide such benefits. Notwithstanding the foregoing, the Debtors may seek to modify such retiree benefits in accordance with section 1114 of the Bankruptcy Code. The obligations, if any, of each Debtor, as modified, will, on the Effective Date, be assumed by and become obligations of the Debtors or the Reorganized Debtors.

The Debtors maintain the Enron Gas Pipelines Employee Benefits Trust, which was maintained as a central repository for contributions made by certain of the Debtors' federally regulated affiliates toward the cost of retiree medical benefits. On July 22, 2003, the Debtors sought approval of the Bankruptcy Court to terminate the Enron Gas Pipelines Employee Benefits Trust and to distribute its assets among the contributing employers, who will thereafter be responsible for such assets and the related retiree benefit liabilities. If the Debtors' request for relief is granted, the Debtors estimate that each of Florida Gas, Northern Plains and Transwestern will be required to assume retiree benefit liabilities, estimated as of June 30, 2002, of approximately $10.15 million, $1.89 million and $4.83 million, respectively. Each of such companies are included in the entities that will form CrossCountry. If the Debtors' request for relief is not granted, the trust will not be terminated and the assets allocable to the participating employers will not be distributed in the foregoing manner. An objection has been filed to the motion and it is currently anticipated that a contested hearing will be held on the motion on October 2, 2003.

The estimated present value of retiree benefit obligations for pipeline retirees, calculated as of December 31, 2002 in accordance with the Financial Accounting Standard 106, is approximately $75 million. As of December 31, 2002, the trust held approximately $31.6 million in assets, composed of cash, cash equivalents and mutual fund investments. The liability for retiree benefits exceeds the value of assets reserved for such purposes by $43.4 million. The estimated present value of retiree benefit obligations for all participants in the Enron Corp. Medical Plan for Inactives is approximately $139 million, as of December 31, 2002. Other than the assets of the trust, all benefit obligations are unfunded.

d. Pension Benefits/Pension Benefit Guaranty Corporation. The Debtors and their affiliates are contributing sponsors to, or are members of a contributing sponsor's controlled group of the Pension Plans. The Pension Plans are tax-qualified defined benefit pension plans covered by and subject to Title IV of the ERISA. PBGC administers the termination insurance program under Title IV of ERISA.

PBGC has filed 31 proofs of claim in the Chapter 11 Cases. The claims are duplicative in nature, with 21 representing unliquidated claims for PBGC insurance premiums and claims for due but unpaid minimum funding contributions under section 412(a) of the IRC. The Debtors are current on their PBGC premiums and their contributions to the Pension Plans. Therefore, the Debtors value these claims at $0. Additionally, PBGC has filed 10 proofs of claim for unfunded benefit liabilities. As of June 30, 2003, the claims for unfunded benefit liabilities assert a liability of $305.5 million. If the Pension Plans are terminated by the PBGC during the Chapter 11 Cases, PBGC's claims will mature against the Debtors' estates. Since the PBGC filed its proofs of claim, the PBGC has informed the Debtors that it has increased its total estimate of claims for unfunded pension benefit liabilities and intends to amend its claims to assert claims of approximately $366.2 million (including approximately $352.3 million for the Enron Plan, $13.3 million for the EFS Pension Plan, $600,000 for the Garden State Pension Plan, $57.5 million for the Portland General Holdings Inc. Pension Plan and $400,000 for the San Juan Gas Pension Plan).

e. Other Severance Benefit Payments; Severance Litigation. Pursuant to the Debtors' motion for authorization to pay prepetition employee compensation, benefits, reimbursable business expenses and related administrative costs, dated December 3, 2001, as amended by order of the Bankruptcy Court, dated January 15, 2002, the Debtors made payments of up to $4,500 to approximately 4,200 of their employees who were severed in December 2001, and an additional hardship payment of $1,178 to each eligible former employee. The Debtors' total payments to former employees pursuant to the foregoing was approximately $24 million. Employees of certain of the Debtors were not eligible for payments pursuant to the foregoing and received payments totaling approximately $462,000.

On February 14, 2002, a group of the Debtors' former employees filed a motion in the Bankruptcy Court seeking, among other things, severance pay in accordance with the Debtors' prepetition severance pay plan (one week of base pay for each full or partial year of employment plus one week of base pay for each $10,000, or fraction thereof, of base pay, the total of which was eligible for doubling in exchange for execution of a general release). The Debtors and the Creditors' Committee objected to the motion. Following the objection, the Debtors, the Creditors' Committee, the Employee Committee, and representatives from the Rainbow/PUSH Coalition and the AFL-CIO successfully negotiated additional severance payments and entered into the Severance Settlement for certain former employees who were discharged in the period between December 3, 2001 and February 28, 2002, as well as certain employees who were discharged in 2001 but prior to the Initial Petition Date.

On August 28, 2002, the Bankruptcy Court approved the Severance Settlement. Under the terms of the Severance Settlement, former employees who "opted-in" to the Severance Settlement are eligible to receive severance as calculated by the formula used in the prepetition severance pay plan up to a maximum of $13,500 in additional severance (less payments included in the $24 million previously distributed). In exchange for such payment, former employees were required to waive any employment termination claims against the Debtors. The Severance Settlement also authorized the Employee Committee to investigate and attempt to recover certain prepetition bonus payments made to certain employees. The proceeds from such litigation would be distributed to former employees who opted into the severance settlement.

Former employees who elected not to participate in the Severance Settlement and "opted out" were permitted to pursue their claims for employment termination payments separately in the Bankruptcy Court. The Debtors and the Creditors' Committee moved to estimate the administrative expense liabilities owed to such opt-out severance claimants. The estimation proceedings required any opt-out claimants to submit an estimation response form to the Debtors detailing the facts and circumstances regarding termination of employment. Each claimant was then given the right to argue his or her claim in the Bankruptcy Court. On October 4, 2002, the Bankruptcy Court issued an "Estimation Order" regarding these Opt-Out Claimants, which places the claimants into one of five different categories based upon their circumstances, and awarded administrative expenses in amounts ranging from 0% to 30% of the face amount of their claims.

Opt-Out Claimants whose claims were not filed by the deadline were not entitled to any additional administrative expenses other than the prior payments. In addition, for several Opt-Out Claimants, the amount of administrative expense liabilities for termination was fixed and liquidated, but the claims have not been allowed due to other objections to allowance raised by the Debtors and the Creditors' Committee. The dates of commencement and termination of employment of the Opt-Out Claimants and their benefit to the Debtors' estates may impact their likelihood of receiving a distribution on their claims.

f. Payment of Retention Bonuses and Prosecution of Certain Preference Actions. Pursuant to the Severance Settlement, the Debtors have assigned to the Employee Committee the Severance Settlement Fund Litigation. The net proceeds, if any, to be realized from the Severance Settlement Fund Litigation will be distributed in accordance with the Severance Settlement. Any payments received by any employee will be calculated for purposes of determining recoveries on account of Allowed General Unsecured Claims in accordance with Section 7.5 of the Plan.

The Severance Settlement Fund Litigation involves the payment of 90 Day Payment bonuses in November 2001, totaling approximately $55 million. The bonuses were paid to approximately 600 employees. As described more fully above, during 2002, the Debtors filed motions with the Bankruptcy Court seeking to provide retention incentives to certain employees through a waiver of preference and fraudulent conveyance claims related to the 90 Day Payments. In exchange, such individuals would be required to release certain claims against the Debtors. In August, 2002, the Bankruptcy Court granted the motion with respect to current employees who did not hold officer level positions at the time of bankruptcy, and has reserved ruling on the remainder of the relief requested. With respect to recipients who have not been released as part of KERP I, the Employee Committee has issued demands and commenced litigation seeking repayment, including, without limitation, those claims and causes of action which are the subject of the litigation styled: (a) *Thresa A. Allen, et al. v. Official Employment-Related Issues Committee, Enron Corp., Enron North America Corp.; Enron Net Works, L.L.C.,* Adversary Proceeding No. 03-02084-AJG, currently pending in the Bankruptcy Court, (b) *Official Employment-Related Issues Committee of Enron Corp., et al. v. John D. Arnold, et al.*, Adversary Proceeding No. 03-3522, currently pending in the United States Bankruptcy Court for the Southern District of Texas, (c) *Official Employment-Related Issues Committee of Enron Corp., et al. v. James B. Fallon, et al.*, Adversary Proceeding No. 03-3496, currently pending in the United States Bankruptcy Court for the Southern District of Texas, (d) *Official Employment-Related Issues Committee of Enron Corp., et al. v. Jeffrey McMahon*, Adversary Proceeding No. 03-3598, currently pending in the United States Bankruptcy Court for the Southern District of Texas, and (e) *Official Employment–Related Issues Committee of Enron Corp., et al. v. John J. Lavorato, et al.*, Adversary No. 03-3721, currently pending in the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

On May 16, 2003, the Employee Committee filed a motion seeking an expansion of their authority to pursue avoidance actions against current and former employees of the Debtors for accelerated distributions under the Enron Corp. 1994 Deferral Plan and the Enron Expat Services 1998 Deferral Plan. On August 22, 2003, ENE and Expat Services filed a motion seeking approval of settlements of avoidance actions related to such accelerated distributions with current and former employees and an expansion of the Employee Committee's authority to settle and/or litigate avoidance action claims related to such accelerated distributions. To the extent funds are recovered either through the settlement of claims or litigation, the funds will be held by the Debtors until further order of the Bankruptcy Court, and shall thereafter be distributed in accordance with the terms of the Plan or such Bankruptcy Court order. The motion is scheduled for a hearing on September 12, 2003.

9. Retention of Professionals

On April 4, 2002, the Bankruptcy Court entered an order (as modified on October 24, 2002 and May 29, 2003) authorizing the Debtors to enter into an agreement to employ

Stephen Forbes Cooper, LLC[24] as an independent contractor to provide management services for the Debtors, effective as of January 28, 2002. All compensation and reimbursement due to Stephen Forbes Cooper, LLC is treated as an Allowed Administrative Expense Claim and is paid in accordance with the employment agreement between the parties rather than pursuant to the Bankruptcy Court order governing compensation and reimbursement of Chapter 11 Professionals.

On January 30, 2002, the Bankruptcy Court entered a final order retaining WGM as the Debtors' lead bankruptcy counsel effective as of the Initial Petition Date. The Debtors have also retained, among others, the following firms: (a) Togut, Segal & Segal, LLP as co-bankruptcy counsel; (b) Skadden, Arps, Slate, Meagher & Flom LLP as special counsel; (c) Andrews & Kurth, L.L.P. as special counsel; (d) LeBoeuf, Lamb, Greene & MacRae L.L.P. as special counsel; (e) Cadwalader, Wickersham & Taft LLP as counsel; (f) Goodin, MacBride, Squeri, Ritchie & Day, LLP as special counsel; (g) Fergus, a Law Firm, and Gary S. Fergus as special regulatory counsel; (h) Susman Godfrey L.L.P. as class action defense counsel; (i) Miller Thomson LLP as special counsel; (j) Kelley Drye & Warren LLP as special regulatory counsel (later converted to ordinary course professional status); (k) PwC US, effective as of August 31, 2002 as financial advisors; (l) FTI Consulting, Inc. as successor-in-interest to the business recovery services practices of PwC US, effective as of December 21, 2002, as financial advisors; (m) Blackstone as financial advisors; (n) Batchelder & Partners, Inc. (n/k/a Relational Advisors LLC) as financial advisors; and (o) Venable Baetjer & Howard as special counsel. In addition, as of September 10, 2003, the Debtors have retained approximately 221 ordinary course professionals.

The Debtors are also responsible for paying the fees of certain other professionals who represent various of the Debtors' employees who are witnesses in various governmental investigations. Several of the Bankruptcy Court orders authorizing the retention of these professionals are currently on appeal.

Finally, the Debtors retained Wilmer, Cutler & Pickering, as special counsel to the Powers Committee, and to represent the Debtors in the litigation styled *Enron Power Marketing v. FERC*, U.S. Supreme Court, Docket No. 00-809.

10. Reconstitution of the Board of Directors

As of the Initial Petition Date, the Board was comprised of Robert A. Belfer, Norman P. Blake, Jr., Ronnie C. Chan, John H. Duncan, Wendy L. Gramm, Robert K. Jaedicke, Kenneth L. Lay, Charles A. LeMaistre, John Mendelsohn, Paulo V. Ferraz Pereira, William Powers, Jr., Frank Savage, Raymond S. Troubh, John Wakeham, and Herbert S. Winokur, Jr. Thereafter, effective February 4, 2002, Kenneth L. Lay resigned from the Board, and on February 12, 2002, the Board (a) approved a reduction in the number of Board members to nine, effective on March 14, 2002, and (b) approved the resignation of six members—Messrs. Chan, Duncan, Jaedicke, LeMaistre, Ferraz Pereira, and Wakeham, also effective March 14, 2002. On February 14, 2002, Mr. Powers resigned from the Board. On March 14, 2002 the Board

[24] Stephen Forbes Cooper, LLC is an affiliate of Kroll Zolfo Cooper LLC, f/k/a Zolfo Cooper, LLC. Kroll Zolfo Cooper LLC has been acquired by Kroll, Inc.

reaffirmed the foregoing actions. On March 21, 2002, Mr. Blake was elected as interim chairman of the Board.

In February 2002, the Board stated its objective to reconstitute the Board in an orderly manner to a board composed of a majority of new independent directors. In furtherance of this objective, in February 2002, the Board established a protocol with the Creditors' Committee to provide for the Creditors' Committee to review and interview candidates for Board membership prior to election of any candidates by the Board. Subsequently, the Board engaged in an extensive process to identify and consider highly qualified candidates as prospective members of the Board representing a range of talents, expertise and experience to benefit ENE. The Board's process included input from a number of sources, including the Creditors' Committee.

On May 30, 2002, the Board elected two new independent directors, John W. Ballantine and Corbin A. McNeill, Jr. On the same day, the Board agreed to accept the resignations of Messrs. Savage and Mendelsohn. On June 6, 2002, the Board announced additional steps in furthering the planned transition of the membership of the Board to one composed of a majority of new, independent directors and, preferably, composed entirely of new independent directors. On such date, the Board recognized that the four remaining long-standing directors—Messrs. Belfer, Blake, and Winokur, and Dr. Gramm—had submitted their resignations as directors, to be effective at the close of business on the same day. The Board also elected Mr. Troubh as interim Chairman of the Board on such date and expressed support for the election of three additional directors under consideration for election. The Board also acted to modify the number of director seats comprising the Board to a variable number to be determined by the maximum number of seats that would allow a quorum to be filled by the attendance of all elected directors, so long as the total number of director seats is nine or fewer total seats. On July 25, 2002, the Board elected another new, independent director, Ron W. Haddock, resulting in a board comprised of four directors. On such date, the Board also acted to define the number of director seats comprising the Board to five seats.

11. Creation of Internal Committees for Review and Oversight

a. Cash Management Committee. The Cash Management Committee consists of (i) its chairperson, the Managing Director of Corporate Services of ENE, (ii) a Managing Director and Deputy Treasurer of ENE, (iii) the Managing Director of RAC, (iv) a representative of the ENE Accounting Department, (v) a representative of the ENE Tax Department, (vi) a representative of the ENE Legal Department, and (vii) a representative of Kroll Zolfo Cooper. Representatives of the ENA Examiner, the ENA Accounting Department, and Ernst & Young (financial advisors to the Creditors' Committee) also attend all Cash Management Committee meetings.

All postpetition disbursements require Cash Management Committee approval. Transactions not in the ordinary course of business and in excess of $500,000 require the approval of the BTRC as well.

b. Bankruptcy Transaction Review Committee. The BTRC was formed in January 2002 to provide a means for all non-ordinary course transactions, e.g., divestitures, settlements, and investments, and certain ordinary course transactions, including financings, of all Debtor and non-Debtor companies to be reviewed by a cross-disciplinary group of ENE and Kroll Zolfo Cooper employees, as well as the Debtors' legal and financial advisors. In addition, these meetings are monitored by the Creditors' Committee's legal and financial advisors and the ENA Examiner. All non-ordinary course transactions in excess of $500,000 are required to be reviewed and approved by the BTRC prior to any Debtor or non-Debtor entity entering into the transaction. Final internal approval, however, is not granted by the BTRC, but via a RAC Deal Approval Sheet executed by certain officers of the entity seeking authority to enter into the transaction, as well as, in some instances, senior management and the Board, as required by the ENE Risk Management Policy approved by the Board.

Since its formation, the scope of the BTRC has expanded as a result of certain orders of the Bankruptcy Court. The BTRC is presently required to approve all settlement transactions completed under the Wholesale Protocol and all assets sales executed pursuant to the De Minimis Asset Sale Order. Refer to Section IV.B., "Settlements and Asset Liquidations" for further information.

B. Settlements and Asset Liquidations

1. Resolution of the Wholesale Trading Book

After the commencement of these chapter 11 cases, the Wholesale Services Debtors and certain of their non-Debtor Wholesale Services affiliates had a significant number of non-terminated and terminated positions arising out of physical and financial contracts relating to numerous commodities, including, but not limited to, power, natural gas, interest rates and currencies, crude oil, liquid fuels, coal, pulp and paper, freight, steel, metals, lumber, and weather. The Wholesale Services Debtors and their non-Debtor affiliates evaluated these contracts and have undertaken efforts to perform, sell, or settle these positions.

The table below describes cash collections of the Wholesale Services Debtors and their affiliates between the Initial Petition Date and June 30, 2003, and adversary proceeding litigation in Bankruptcy Court of the Wholesale Services Debtors and their affiliates.

$ in millions

Wholesale Trading Book Cash Collections from Initial Petition Date to 6/30/03			
		Amount Collected	Number of Counterparty Groups
Terminated Contracts		$1,021	166
Non-Terminated Contracts			
	Performed (net of cost of sales)	$1,064	1,368[1]
	Settled/Sold	$592	156
Total Cash Collected to Date		$2,677	1,690
Adversary Litigation Proceedings Filed in Bankruptcy Court			

Total number of Proceedings with Trading Book Counterparties	58[2]
Gross Value Sought in Complaint/Mediation[3]	$1,921[2]

Includes: Gas, Power, EGM, EIM, Europe, Canada
Excludes: EBS

[1] Count reflects counterparties billed for services at least once postpetition and reflects historical AR collections from performance prior to bankruptcy.

[2] The 58 adversary proceedings existed as of June 30, 2003. An additional 5 adversary proceedings have been filed with the Bankruptcy Court through August 31, 2003, with an aggregate gross value sought of $59,382,038.00.

[3] Recoveries under these proceedings cannot be assured.

a. Safe-Harbor Agreements. Prior to the commencement of the Chapter 11 Cases, certain of the Wholesale Services Debtors entered into thousands of Safe-Harbor Agreements. Several safe-harbor provisions of the Bankruptcy Code (sections 555, 556, 559, or 560), to the extent applicable, render enforceable contractual rights to liquidate or terminate Safe-Harbor Agreements based on the bankruptcy or financial condition of the Wholesale Services Debtors. Other safe-harbor provisions exempt specified setoffs under or in connection with Safe-Harbor Agreements from the automatic stay provided under section 362(a) of the Bankruptcy Code. Absent these safe-harbor provisions, the counterparties would be barred under the Bankruptcy Code from terminating these contracts due to the bankruptcy or financial condition of the Wholesale Services Debtors, and would be stayed from exercising their rights of setoff and their rights to realize on collateral.

The Wholesale Services Debtors' commencement of the Chapter 11 Cases constituted an early termination event under some of the Safe-Harbor Agreements, giving rise to the right of the counterparties to terminate such agreements (or in some instances, to an automatic termination of such agreements) and to determine the amount of termination payments payable by or to certain of the Wholesale Services Debtors. Immediately prior to and since the commencement of these cases, many Safe-Harbor Agreements have been terminated. In certain instances, where a counterparty has not terminated an agreement, and has itself defaulted under the agreement, a Wholesale Services Debtor has noticed an early termination.

The Wholesale Services Debtors also had a number of physical and financial Safe-Harbor Agreements that were not terminated and were "in-the-money" to the Wholesale Services Debtors, and therefore required performance by the Wholesale Services Debtors to realize the "in-the-money" value. In certain instances, the Wholesale Services Debtors continued to perform through the relevant contract term, negotiated a settlement, or sold the contract to a third party. The Wholesale Services Debtors have now successfully exited substantially all of their performing, non-terminated, "in-the-money" physical and financial Safe-Harbor Agreements.

b. Description of Wholesale Protocol. Under the authority granted by Bankruptcy Rule 9019, the Wholesale Services Debtors and the Creditors' Committee negotiated, and on May 30, 2002, the Bankruptcy Court approved, the Wholesale Protocol. The purpose of the Wholesale Protocol is to expedite the approval process for settlements related to terminated Safe-Harbor Agreements.

The Wholesale Protocol creates two categories of settlements for terminated Safe-Harbor Agreements. The first category consists of Safe-Harbor Agreements involving values that exceed certain defined thresholds, settlements with affiliates of the Wholesale Services Debtors, and settlements involving more than one party on either side of the settlement. For settlements in this category, the Wholesale Services Debtors are not permitted to execute a settlement agreement with the counterparty without 10 business days' prior notice to the Creditors' Committee. In addition, the Wholesale Protocol prescribes certain information concerning the proposed settlement that must be included in the Wholesale Services Debtors' notice. Where the Creditors' Committee approves a proposed settlement in this category, the Wholesale Services Debtors may file with the Bankruptcy Court a motion for approval of the settlement.

The second category consists of settlements of terminated Safe-Harbor Agreements that do not fall within the first category. The Wholesale Protocol requires the Wholesale Services Debtors to provide weekly notice of these settlements to the Creditors' Committee. The Creditors' Committee has 5 business days to object to the settlement or to request more detailed information on it. Where the Creditors' Committee does not object to a proposed settlement in this second category, or does not request more detailed information on it, during the 5 business-day period, the Wholesale Services Debtors may then file a notice of the settlement with the Bankruptcy Court. Unless an objection is filed and served within 5 business days after the notice is filed and notice of such objection is served upon the appropriate parties, the Wholesale Services Debtors are authorized to consummate the proposed settlement, and the parties receiving notice of the proposed settlement shall be deemed to have consented to it.

Under the Wholesale Protocol, if the Creditors' Committee objects to a settlement in either category, or fails to approve a settlement in the first category, the Wholesale Services Debtors may not seek Bankruptcy Court approval of the proposed settlement under the procedures provided in the Wholesale Protocol, but instead may seek such approval of the proposed settlement upon notice and a hearing in accordance with Bankruptcy Rule 9019 and the Case Management Order. Settlements entered into only by non-Debtor Wholesale Services affiliates are submitted for Creditors' Committee review as if they were in the second category, but such settlements are not submitted to the Bankruptcy Court.

On July 15, 2003, the Bankruptcy Court approved an order amending the Wholesale Protocol. The amendments, among other things, (1) permit rejected and expired Safe-Harbor Agreements to be settled under the Wholesale Protocol, (2) change the value thresholds for the first category of settlements, and (3) modify the Bankruptcy Court approval process for settlements that involve more than one party on either side of the settlement, but that do not meet the amended value thresholds for the first category of settlements.

c. Implementation of Wholesale Protocol. Through the use of the Wholesale Protocol, the Wholesale Services Debtors have filed, and obtained the approval of the Bankruptcy Court to enter into, numerous settlement agreements with terminated Safe-Harbor Agreement counterparties. Through June 30, 2003, through the use of the Wholesale Protocol, or otherwise with the approval of the Bankruptcy Court as to the Wholesale Services Debtors only, the Wholesale Services Debtors and the non-Debtor Wholesale Services affiliates have entered into 166 settlements of Safe-Harbor Agreement counterparties, resulting in recoveries in the aggregate amount of approximately $1.021 billion for the Wholesale Services Debtors and their non-Debtor Wholesale Services Affiliates. Refer to Table, "Wholesale Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.1., "Resolution of the Wholesale Trading Book" for further information.

Since the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates have other terminated Safe-Harbor Agreements with multiple other counterparties under which there is embedded value owing to the Wholesale Services Debtors and their non-Debtor Wholesale Service affiliates and which have not yet settled, the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates continue their settlement efforts utilizing the Wholesale Protocol or other Bankruptcy Court-approved processes as appropriate. Refer to Section VII., "Estate Management And Liquidation" for further information.

d. Realized Value from Debtors' Performance of Non-Terminated Wholesale Contracts, Disposition of Inventories, and Collection of Accounts Receivable. Since the Initial Petition Date, the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates have realized (net of their costs) approximately $1.064 billion from (i) their postpetition or other performance under commodity sale contracts that have remained "live" (e.g., not terminated or expired) after the Initial Petition Date, (ii) the sale of commodity inventories, and (iii) the collection of prepetition accounts receivable. Refer to Table, "Wholesale Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.1., "Resolution of the Wholesale Trading Book" for further information.

e. Settlements and Sales of Non-Terminated Safe-Harbor Agreements. The Wholesale Services Debtors have (i) settled certain of their non-terminated Safe-Harbor Agreements (which are not eligible for settlement under the Wholesale Protocol) with counterparties pursuant to Bankruptcy Court approval and (ii) sold certain non-terminated Safe-Harbor Agreements to third parties pursuant to Bankruptcy Court-approved auction processes. Through June 30, 2003, the Wholesale Services Debtors and their non-Debtor Wholesale Services Affiliates have received a total of approximately $592 million from these settlements and auction sales. Refer to Table, "Wholesale Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.1., "Resolution of the Wholesale Trading Book" for further information.

f. Litigation. To the extent settlements cannot be reached, the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates may file (and have, in some cases, already filed) adversary proceedings against counterparties in the Bankruptcy Court or may take other appropriate legal action to recover the embedded value of the contracts. Refer to Table, "Wholesale Trading Book Cash Collections from Initial Petition Date to 6/30/03" in above Section IV.B.1., "Resolution of the Wholesale Trading Book" and Section IV.C.1., "Pending Litigation" for further information about the pending adversary proceedings involving the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates in connection with the trading book, the gross dollar amount being sought by the Wholesale Services Debtors thereunder, certain claims made by Debtors and counterclaims made by counterparties. Each of the pending adversary proceedings involving one or more of the Wholesale Services Debtors and their non-Debtor Wholesale Services affiliates are more fully described in Section IV.C.1., "Pending Litigation". It should be noted that the recoveries under these proceedings or proceedings subsequently brought against counterparties cannot be assured, and are subject to potential counterclaims and defenses of the counterparties some of which are listed in Section IV.C.1., "Pending Litigation".

2. Retail Contract Settlements

After the commencement of these Chapter 11 Cases, the Retail Services Debtors and their non-Debtor Retail Services affiliates had a significant number of open and terminated positions arising out of physical and financial contracts with retail and other customers relating to the purchase and sale of natural gas and electricity, as well as energy outsourcing and other contracts. The Debtors evaluated these contracts and have undertaken efforts to perform, sell, settle, or reject these positions. With respect to these settlements, pursuant to Bankruptcy Rule 9019, through June 30, 2003, the Debtors have sought and obtained the Bankruptcy Court's approval of approximately 60 settlement agreements relating to Retail Contracts.

The table below describes cash collection of the Retail Services Debtors and their affiliates between the Initial Petition Date and June 30, 2003, and adversary proceeding litigation of the Retail Services Debtors and their affiliates in the Bankruptcy Court.

Retail Trading Book Cash Collections from Initial Petition Date to 6/30/03 ($ in Millions)

		Amount Collected	Number of Counterparty Groups
Terminated Contracts		$19	16
Non-Terminated Contracts			
	Performed (net of cost of sales)	$419	Approx. 9000[1]
	Settled/Sold	$275	741
Total Cash Collected to Date		**$718**	

Adversary Proceedings Litigation in Bankruptcy Court ($ in millions)

Total number of Proceedings with Retail Trading Book Counterparties	1
Gross Value Sought[2]	$ 12

[1] Count reflects counterparties billed for services at least once postpetition as well as accounts receivable collections from historical performance prior to the Initial Petition Date.

2 Recoveries under these proceedings cannot be assured.

a. Retail Contracts. Prior to the commencement of the Chapter 11 Cases, certain of the Retail Services Debtors entered into thousands of Retail Contracts. Since the Initial Petition Date, many Retail Contracts have been terminated, rejected, or assumed and assigned under section 365 of the Bankruptcy Code. There are substantial amounts outstanding under many of the Retail Contracts, which amounts include primarily accounts receivable and, in some cases, termination payments due to the Retail Services Debtors' estates. The Retail Services Debtors' commencement of the Chapter 11 Cases constituted an early termination event under some of the Retail Contracts, which may give rise to the right of the counterparties to terminate such agreements and to determine the amount of termination payable by or to the Retail Services Debtors. Since the commencement of these Chapter 11 Cases, many counterparties have, accordingly, purported to terminate Retail Contracts. While the applicability of the safe-harbor provisions of the Bankruptcy Code to the Retail Contracts is less certain than their applicability to wholesale contracts, the Retail Services Debtors determined in many instances not to contest the terminations.

The Retail Services Debtors also had a number of Retail Contracts that were not terminated and were "in-the-money" to the Retail Services Debtors, and therefore required performance by the Retail Services Debtors to realize the "in-the-money" value. In certain instances, the Retail Services Debtors continued to perform through the relevant contract term, negotiated a settlement, sold the contract to a third party, or, if the continued performance was not in the best interests of the relevant Debtor, rejected the contract. The Retail Services Debtors have now successfully exited substantially all of their performing, non-terminated, "in-the-money" Retail Contracts.

b. Description of Retail Protocol. The Retail Services Debtors and the Creditors' Committee negotiated the Retail Protocol that allowed the Retail Services Debtors to obtain expedited Bankruptcy Court approval of settlements with counterparties on amounts due under the Retail Contracts. The Bankruptcy Court approved the Retail Protocol on October 7, 2002.

Specifically, the Retail Protocol creates two categories of settlements, depending on the accounts receivable outstanding under the contract and other amounts (e.g., termination payments) that may have been payable to the Retail Services Debtors as part of the settlement. The first category includes the settlement of Retail Contracts with the Retail Services Debtors involving values that exceed certain defined thresholds. The Retail Protocol permits the Retail Services Debtors to file a motion under Bankruptcy Rule 9019 to settle these contracts using expedited notice procedures. The second category of settlements includes those that fall below the defined value thresholds. The Retail Protocol allows the Retail Services Debtors to provide weekly notice of these settlements to the Creditors' Committee and to seek Bankruptcy Court approval of these settlements by filing a notice but without filing a formal motion with the Bankruptcy Court.

c. Implementation of Retail Protocol. Through the use of the Retail Protocol, the Retail Services Debtors have filed and obtained Bankruptcy Court approval to enter into numerous settlement agreements with retail customers. Through June 30, 2003, as approved by the Bankruptcy Court through use of the Retail Protocol or otherwise, the Retail Services Debtors have entered into 16 settlements with counterparties, resulting in recoveries in the aggregate amount of approximately $19 million for the Retail Services Debtors. Refer to Table, "Retail Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.2.a., "Retail Contracts" for further information.

Because the Retail Services Debtors have other Retail Contracts with multiple other counterparties under which there is embedded value owing to the Retail Services Debtors and their non-Debtor Retail Services affiliates and which have not yet settled, the Retail Services Debtors and their non-Debtor Retail Services affiliates continue their settlement efforts utilizing the Retail Protocol or other Bankruptcy Court-approved processes as appropriate.

d. Settlements and Sales of Retail Contracts. The Retail Services Debtors have (1) settled certain of their non-terminated Retail Contracts with counterparties pursuant to Bankruptcy Court approval and (2) sold certain non-terminated Retail Contracts to third parties pursuant to Bankruptcy Court-approved auction processes. Through June 30, 2003, the Retail Services Debtors have received proceeds of approximately $275 million from these settlements and auction sales. Refer to Table, "Retail Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.2.a., "Retail Contracts" for further information.

e. Realized Value from Retail Services Debtors' Performance of Non-Terminated Retail Contracts, Disposition of Inventories, and Collection of Accounts Receivable. Since the Initial Petition Date, the Retail Services Debtors have realized (net of their costs) approximately $424 million in net proceeds from (i) their postpetition or other performance under retail commodity sale contracts that have remained "live" (e.g., not terminated or expired) after the Initial Petition Date, (ii) the sale of commodity inventories, and (iii) the collection of prepetition accounts receivable. Refer to Table, "Retail Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.2.a., "Retail Contracts" for further information.

f. Litigation. To the extent settlements cannot be reached, the Retail Services Debtors and their non-Debtor Retail Services affiliates may file (and have, in one case, already filed) adversary proceedings against counterparties in the Bankruptcy Court or may take other appropriate legal action to recover the embedded value of the contracts. Refer to Table, "Retail Trading Book Cash Collections from Initial Petition Date to 6/30/03" in Section IV.B.2.a., "Retail Contracts" and Section IV.C.1., "Pending Litigation" for further information about the pending adversary proceeding involving the Retail Services Debtors and their non-Debtor Retail Services affiliates in connection with the trading book, the gross dollar amount being sought by the Retail Services Debtors thereunder, certain claims made by Debtors, and counterclaims made by counterparties. The pending adversary proceeding involving one or more of the Retail Services Debtors and their non-Debtor Wholesale Services affiliates is more fully described in Section IV.C.1., "Pending Litigation". It should be noted that the recoveries under this proceeding or proceedings subsequently brought against counterparties cannot be assured, and are subject to potential counterclaims and defenses of the counterparties some of which are listed in Section IV.C.1., "Pending Litigation".

3. Settled Litigation

Refer to Section IV.C.1., "Pending Litigation" for information relating to litigation that has been settled.

4. Other Settlements

a. Broadband - General. The Debtors that are part of Broadband Services and their non-Debtor Broadband Services affiliates have also resolved disputes that have arisen in connection with business transactions in the Broadband industry including IRU agreements and collocation agreements, outstanding accounts receivable, and PRM. In the most significant of these settlements, EBS, Qwest, and related entities entered into a global settlement agreement that has been approved by the Bankruptcy Court. Prior to entering into the settlement, Qwest had placed approximately $150 million owed to EBS into an interest-bearing, segregated account. Under the terms of the settlement agreement, EBS received approximately $139 million and Qwest received approximately $11 million. As part of the settlement, EBS sold, transferred and/or assigned the assets and contracts necessary for Qwest to own and operate the Salt Lake City to New Orleans fiber optic route, as well as certain other telecommunications equipment.

b. Dynegy Merger Agreement, Related Litigation, and Settlement. On November 9, 2001, ENE, Dynegy and related entities entered into the Merger Agreement. Concurrently therewith, Dynegy and CGNN entered into an option agreement under which Dynegy Holdings contracted with CGNN for an option to purchase from CGNN all of the outstanding membership interests in MCTJ, the indirect parent of NNG. Dynegy also acquired 100% of the preferred stock of NNG for $1.5 billion.

On November 28, 2001, Dynegy gave ENE notice that Dynegy was terminating the Merger Agreement and, immediately thereafter, Dynegy Holdings gave notice to CGNN that Dynegy Holdings was exercising the option to purchase all of the outstanding membership interests of MCTJ. On the Initial Petition Date, ENE and certain of its affiliates filed a breach of contract action alleging that Dynegy and Dynegy Holdings breached the terms of the Merger Agreement and sought damages in excess of $10 billion. The closing of Dynegy Holdings' exercise of the option to purchase the interests of MCTJ included the payment of $23 million to CGNN and was effective February 1, 2002.

On August 15, 2002, the parties executed a mutual release and deposited with an escrow agent an executed joint motion for dismissal with prejudice and an executed agreed order of dismissal with prejudice seeking the dismissal of ENE's pending suit against Dynegy with prejudice. Concurrently with the execution of the mutual release, Dynegy delivered (i) $62.9 million previously held in escrow in connection with working capital related to the sale of MCTJ; and (ii) cash in the amount of $25 million into escrow, $10 million of which was released to ENE in September 2002 in connection with the Bankruptcy Court's approval of the mutual release and the remainder of which was released in May 2003 in connection with the entry of the final judgment dismissing ENE's lawsuit against Dynegy.

c. Mitsubishi Heavy Industries. ENE received approval of a settlement agreement among ENE, certain of ENE's non-Debtor affiliates, MHI, and certain lenders, relating to disputes arising from certain purchase agreements for gas turbines and associated components. The settlement agreement provided, among other things, that (i) certain lenders would pay $6 million to MHI, which would be applied against the remaining purchase price for certain units, (ii) the parties would acknowledge that certain purchase agreements were validly cancelled, (iii) MHI would deliver certain unit components to subsidiaries of BPDT, (iv) MHI would credit BPDT $14,000,312 as payment for the balance due on certain units, (v) MHI would retain certain payments and work in progress, (vi) certain ENE guarantees would be terminated, (vii) MHI would have a right to a certain sliding sales commission to the extent it assisted in the marketing of certain turbines owned by ENE affiliates, and (viii) all parties would grant limited mutual releases.

d. Standard Chartered Bank. ENE received approval of a settlement agreement with SCB releasing and compromising certain claims held by ENE against SCB. Pursuant to the settlement, SCB will return $23,867,046 to ENE and retain $1,000,000 relating to certain previously drawn letters of credit and expenses, and retain $646,964 as cash collateral for two letters of credit that will continue to remain outstanding following the settlement. The settlement agreement resolves, without litigation, a preference action that ENE was preparing to commence against SCB to recover $25,514,000 that was deposited into a collateral account.

e. Redemption of ServiceCo Shares. ENE, EESSH, EESO, EPSC, and EBS received approval to (i) consummate the redemption of certain outstanding shares of ServiceCo held by EESSH, (ii) provide an indemnification and certain releases to certain other redeeming ServiceCo stockholders and ServiceCo directors, and (iii) compromise and settle certain third-party litigation. Prior to the redemption transactions, ServiceCo was approximately 81.45% owned by EESSH. ServiceCo was formed in September 2001. Following the Initial Petition Date, litigation proceedings were commenced against ServiceCo by certain of its minority stockholders who contributed assets and/or cash in connection with the formation of ServiceCo, alleging that certain misrepresentations were made in connection with their original investment. ServiceCo's redemption of the capital stock held by these third-party investors settles these proceedings.

In connection with the formation of ServiceCo, certain of ServiceCo's minority stockholders contributed the shares of FieldCentrix to ServiceCo in exchange for ServiceCo shares and, prior to the redemption transaction, FieldCentrix was 98% owned by ServiceCo. Through the redemption transaction, ServiceCo returned the majority of FieldCentrix to the original contributing ServiceCo stockholders in exchange for their ServiceCo shares, with ServiceCo retaining a 20% preferred stock interest in FieldCentrix. The shares of ServiceCo capital stock held by the other third-party investors in ServiceCo are being redeemed for cash.

The approval provided, among other things, that any existing encumbrances that have been, could have been, or are in the future, asserted by PBGC, if any, are transferred and attach solely to (i) the purchase price paid by ServiceCo to EESSH for its redeemed ServiceCo shares and (ii) after their redemption by ServiceCo, to the redeemed shares of ServiceCo capital stock formerly held by its redeeming stockholders. In addition, ENE was authorized to provide a limited indemnification to the third-party redeeming ServiceCo stockholders for damages they may incur within the four-year period following the redemption transaction as a result of (i) ServiceCo or its subsidiaries being liable for taxes of ENE or its affiliates (other than ServiceCo and its subsidiaries) as a result of their having been included in ENE's consolidated tax group and (ii) claims for liability asserted by PBGC against ServiceCo or its subsidiaries as a result of being jointly and/or severally liable for obligations of ENE or its affiliates (other than ServiceCo and its subsidiaries) due to their status as members of ENE's controlled group under ERISA. The ENE indemnity is subject to an aggregate cap of approximately $24 million. Refer to Section III.F.39., "Nile" for further information.

f. British Energy. The significant creditors of British Energy Group, including ECTEF, have been working towards a restructuring of certain of the financial obligations of the British Energy Group, under which such creditors will compromise their claims against the British Energy Group. On February 14, 2003, such creditors formally agreed to standstill their claims against the British Energy Group and signed non-binding term sheets that outlined the terms of the proposed restructuring. On May 8, 2003, the Bankruptcy Court entered an order requested by ENE and ECTRIC approving the restructuring on the terms set forth in the February 14, 2003 agreements. A successful closing of the restructuring is not expected before September 30, 2004 and remains subject to the satisfaction of a number of outstanding conditions.

Upon the successful restructuring of the British Energy Group, ECTEF will be entitled to the following distribution on its £72 million claim: (i) newly issued bonds, which have been attributed a face value of £20 million, and (ii) 6.8% of the newly issued equity of British Energy to be allocated to creditors (such percentage does not take into consideration existing equity holders of British Energy). As the equity to be retained by current shareholders of British Energy is still to be determined, the amount of ECTEF's percentage equity ownership in the restructured company has not been finally determined. Barclays and ECTRIC are in discussions on sharing ratios for the distribution of the proceeds that the Cash VI Trust receives from the restructuring.

The distributions to creditors of newly issued bonds and newly issued equity will not occur until closing of the restructuring, which is expected to take place on or before September 30, 2004. ECTEF is to receive interest on its £72 million claim at 6% per annum during the standstill period.

g. Rio Piedras. Over 500 suits were filed in federal or local court in Puerto Rico on behalf of nearly 1,500 different plaintiffs against ENE, San Juan Gas, and/or their carriers and affiliates for wrongful death, personal injury (including emotional distress), property damage, and business interruption related to the November 21, 1996 explosion in or around the Humberto Vidal Building. The total alleged damages exceeded $3.3 billion. In late December 2001, approximately 300 of the then remaining 750 federal plaintiffs that had not settled or been dismissed moved to lift the automatic stay to allow the federal court litigation to proceed but not the parallel state litigation, and to authorize direct collection of judgments from ENE's insurance carriers. An agreed order was entered in April 2002 modifying the automatic stay for the sole purpose of effecting settlements, subject to a cap of $50 million for settlements, fees, and expenses. All such cases were subsequently resolved for approximately $36 million. Orders have been entered in both the Federal and State courts in Puerto Rico dismissing all plaintiffs' claims with prejudice. Settlement documents or forfeiture orders have been effected for all but two plaintiffs.

h. Andersen Worldwide. In March 2002, at the direction of the Bankruptcy Court and Judge Harmon of the United States District Court for the Southern District of Texas, the Debtors, the Creditors' Committee, and the plaintiffs in the *Newby* Action began mediation with representatives of Arthur Andersen and Andersen Worldwide Societe Cooperative, in an effort to reach a global settlement of claims against Arthur Andersen. Despite the best efforts of the parties, the mediation process did not succeed and was formally terminated on May 1, 2002. The Debtors and representatives of the Creditors' Committee continued to engage in settlement discussions with representatives of Arthur Andersen and the other Arthur Andersen-related entities and conducted due diligence concerning the nature and extent of potential claims and causes of action, if any, held by the Debtors' estates against foreign Arthur Andersen entities other than Arthur Andersen. The Debtors and the Creditors' Committee reached an agreement in principle with Andersen Worldwide (on behalf of itself and foreign Arthur Andersen entities) compromising and settling any claims the Debtors' estates may possess against such entities in exchange for a cash payment of $19.95 million. The parties signed a memorandum of understanding on or about August 30, 2002 setting forth the principle terms of the settlement reached with Andersen Worldwide, which was later memorialized in a formal settlement agreement. On July 11, 2003, the Bankruptcy Court entered an order approving the settlement agreement pursuant to Bankruptcy Rule 9019.

5. Asset Sales

The Debtors, non-Debtor affiliates, and certain other related companies have completed a number of significant asset sales of non-core assets during the pendency of the Chapter 11 Cases, resulting in gross consideration to the Debtors' bankruptcy estates, non-Debtor affiliates, and certain other related companies aggregating approximately $3.2 billion. These asset sales have been completed by numerous Debtors, non-Debtor affiliates, and other related companies, and the sale proceeds have, in certain instances, been used to repay indebtedness or other claims, and may be further subjected to a variety of claims from related and unrelated parties. In many instances, proceeds from these sales are segregated, or in escrow accounts, and the distribution of such proceeds will require either consent of the Creditors' Committee or an order of the Bankruptcy Court.

The table below sets forth the principal asset sales between the Initial Petition Date and June 30, 2003. The table sets forth the sales price approved by the Bankruptcy Court for each transaction, which prices, in certain instances, have been and may continue to be subject to adjustments for the payment of certain items, including without limitation, commissions, break-up fees, professional fees, taxes, liens, working capital adjustments, indemnification claims, and other closing costs and disbursements. Sales transactions where prices exceeded $100 million are described below the table. Refer to Section IV.B.1.a., "Safe-Harbor Agreements" for further information about sales by Wholesale Services and Retail Services of Safe-Harbor Agreements, dispositions of inventories, and related assets.

Principal Asset Sales

Asset Sales	Approx. Court-Approved Sales Price, if applicable (in $ millions)
Trading Business (Natural Gas and Electric Power)	*TBD*
Azurix-Wessex (Water Utility)	782
EOG Resources Shares	438
EOGIL	350
Arcos Project Company and GE 9F Turbine Power Island Equipment	329
Enron Wind (US and European Turbine Manufacturing Business)[1]	325
Enron Wind Development Corp. (160 MW Power Project)	175
Mariner Energy (Falcon Corridor Offshore Assets)[2]	122
Enron Center South (Office Building)	102
Asset Sales Below $100 million[3]	588
	3,211

1 The original Bankruptcy Court approved purchase price was reduced by $40 million at closing based on the adjustment mechanism within the purchase and sale agreement, and by an additional $75 million post-closing in accordance with the settlement agreement with purchaser as approved by the Bankruptcy Court on June 23, 2003. Refer to Section IV.B.5.f., "Enron Wind (US and European Turbine Manufacturing Business)" for further information.

2 This sale did not require approval by the Bankruptcy Court.

3 Including collections on certain notes receivable, and excluding asset sales under $1 million. Certain assets in this group were sold by non-Debtors and, therefore, may not have been subject to Bankruptcy Court approval.

a. Trading Business (Natural Gas and Electric Power).

(i) Sellers. ENE, ENA, ENW, and Enron Canada.

(ii) Purchasers. UBS and UBS Warburg Energy (Canada) Ltd.

(iii) Assets. The sellers sold certain assets, and licensed other assets (including an exclusive license to certain proprietary technology), relating to the sellers' North American gas and electric power trading business. The parties have also provided various transition services.

(iv) Consideration. Enron Canada received at closing approximately CDN $6.5 million in cash from the purchasers. The remaining consideration payable to the sellers is in the form of royalty payments. Under the terms of the transaction, the sellers are to receive 33% of the adjusted pre-tax profits generated by the business for a defined period. The allocation of such royalty interest among the various sellers has not yet been determined and is subject to approval of the Bankruptcy Court. Since the closing of the transaction, the business has not produced sufficient profits to generate any royalty payments. There can be no assurance that this sale will generate any royalty payments for the benefit of the sellers.

(v) Indemnifications/Holdbacks. Pursuant to a series of call options granted by the sellers to the purchasers, the purchasers have the option to buy out the royalty interest beginning on January 1, 2005. The purchasers' call options may be exercised in three tranches, each representing a one-third reduction of the royalty interest. Only one call option may be exercised in any two consecutive six-month periods. Beginning on the seventh anniversary of the closing date until the date ten years and three months from the closing date, if the purchasers have not exercised and closed two call options (or upon the eighth anniversary of the closing date, if the purchasers have not exercised three options), the sellers shall have the right to require the purchasers to do any of the following, at the purchasers' sole choice: (1) sell the business; (2) terminate the agreement; (3) provide a mechanism for securitizing the royalty stream; or (4) accelerate royalty payments into one lump sum.

The sellers and the purchasers received various indemnities from each other with respect to certain potential losses. All indemnities of the respective indemnifying party were limited in the aggregate to a maximum of $100 million. The indemnitors' indemnity exposure occurs only if the aggregate amount of indemnifiable losses exceeds $5 million, at which point the indemnitees are entitled to indemnification for all such losses that in aggregate exceed $2.5 million. Payments of indemnity by the sellers will be made only through setoffs made against the payment of the royalty interest. Subject to a variety of exceptions, indemnity claims with respect to breaches of representations and warranties had to be submitted on or prior to February 8, 2003. As of May 31, 2003, no indemnity claims have been sent or received by the sellers.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on January 22, 2002, and the sale closed on February 8, 2002.

b. Azurix-Wessex (Water Utility).

(i) Seller. Azurix Europe, which is indirectly owned by Azurix. EBWH, a wholly owned non-Debtor subsidiary of ENE, owns 33-1/3% of the voting shares of Azurix. Atlantic owns the remaining 66-2/3% of the voting shares of Azurix. ENE holds a 50% voting interest in Atlantic, as well as 100% of the cumulative preferred stock issued by Azurix. The remaining 50% voting interest in Atlantic is held by Marlin. Refer to Section III.F.36., "Marlin" for further information regarding Marlin.

(ii) Purchaser. YTL Utilities (UK) Limited.

(iii) Asset. Wessex, the principal business of which was providing water supply and wastewater services in parts of southwestern England through Wessex Water Services Limited, a wholly owned subsidiary.

(iv) Consideration. The agreed sale price was approximately $782 million. As part of the transaction, Azurix Europe was required to repay a revolving credit facility and Azurix purchased substantially all of its remaining bonds. The remaining proceeds of $6.2 million went to Azurix. The Bankruptcy Court approved the actions taken by the Enron-appointed directors in approving the sale of 100% of Azurix's interest in Wessex. There have been no post-closing purchase price adjustments.

(v) Indemnifications/Holdbacks. None.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on May 6, 2002, and the sale closed on May 21, 2002.

c. EOG Resources Shares. Refer to Section III.F.10., "Cerberus" for further information.

d. Enron Oil & Gas India Ltd. (Production Sharing Contracts).

(i) Seller. EAH, an indirect subsidiary of ENE.

(ii) Purchaser. BG Energy Holdings Limited.

(iii) Assets. Producing oil and gas assets consisting of production sharing contracts with the government of India for the Panna/Mukta and Tapti offshore blocks.

(iv) Consideration. The Bankruptcy Court-approved sales price was approximately $350 million, less amounts attributable to a working capital adjustment, services provided by Enron Global Exploration and Production, Inc. and EGEP Services, Inc., and any intercompany debt remaining at the time of closing.

(v) Indemnifications/Holdbacks. For twelve months following closing, EAH indemnified the purchaser against any preference or fraudulent conveyance claims related to the repayment by EOGIL of intercompany receivables for the twelve-month period preceding closing. This indemnity is for up to $74 million. EAH retained the rights to a contingent $12 million tax refund from the government of India relating to disputed allowances for foreign exchange losses. The assets were sold on an "as is, where is" basis. No indemnity claims were made by the purchaser.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on February 13, 2002, and the sale closed on March 31, 2002.

e. Arcos Project Company and GE 9F Turbine Power Island Equipment.

(i) Sellers. SII Espana 2 B.V. and Woodlark, L.P. ENE is the sole shareholder of EPC and the sole member of Enron Europe. EPC and Enron Europe are the joint shareholders of ECT Europe. ECT Europe is the sole shareholder of SII Holdings B.V., which, in turn, is the sole shareholder of SII Espana 2 B.V., which was the sole shareholder of Arcos Project Company. Woodlark, L.P. is an indirect subsidiary of Whitewing LP. Refer to Section III.F.41., "Osprey/Whitewing" for further information regarding Osprey/Whitewing.

(ii) Purchaser. Iberdrola.

(iii) Assets. SII Espana 2 B.V.'s rights, title, and interest in and to the issued share capital of the Arcos Project Company and Woodlark, L.P.'s rights to and interest in the three GE 9F turbine power island equipment assets relating to the Arcos de la Frontera power plant.

(iv) Consideration. The Bankruptcy Court-approved sales price was approximately $329 million.

(v) Indemnifications/Holdbacks. There were no post-closing purchase price adjustments, contingent payment obligations or indemnification obligations of the sellers. The assets were sold on an "as-is, where-is" basis.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on April 5, 2002, and the sale closed on April 18, 2002.

f. Enron Wind (US and European Turbine Manufacturing Business).

(i) Sellers. Enron Wind LLC; U.S. Asset Sellers: Enron Wind Energy Systems LLC, Enron Wind Systems, LLC, Enron Wind Constructors LLC, and Enron Wind Maintenance LLC. European Asset Sellers: Enron Wind Holding GmbH, Enron Wind Service GmbH, Enron Wind GmbH, Enron Wind de Espana SL, Tacke Energia Eolica S.L., Enron Wind Rotor Production B.V., Wind Holdings B.V., Enron Wind Overseas Development Ltd., Enron Wind Ireland Ltd., Enron Wind Denmark ApS, Vindkraftbolaget Utgrunden Aktiebolag, Enron Wind Sverige AB, Tacke Wind Energy India Private Ltd., and Enron Wind Nat Sverige AB. Other Sellers: Other entities that transferred assets, but were not parties to the Purchase and Sale Agreement: Enron Wind Development Corp., Zond Pacific, and ZWHC. All sellers are indirect wholly owned subsidiaries of Enron Wind LLC, which is a direct wholly owned subsidiary of EREC, which is an indirect wholly owned subsidiary of ENE.

(ii) Purchaser. General Electric Company, acting through GEPS, its power systems business.

(iii) Assets. The assets of Wind's U.S. and European wind turbine manufacturing, operation and maintenance and construction businesses.

(iv) Consideration. The Bankruptcy Court-approved sales price was approximately $325 million. The sales price was reduced by approximately $40 million at closing based on the adjustment mechanism within the purchase and sale agreement, and by approximately $75 million (including interest) pursuant to an agreement (post-closing adjustment) among the purchaser and the sellers dated May 1, 2003. Thus, the final sales price was approximately $210 million. Wind retained the existing wind power projects, as well as some of the employees and equipment necessary to manage those projects. GEPS hired the majority of Wind's remaining employee base and continued to provide operations and maintenance services to the projects. On June 23, 2003, the Bankruptcy Court entered the Wind Reserve Fund Order, which approved a compromise and settlement with respect to certain outstanding issues relating to the sale. Pursuant to the Wind Reserve Fund Order, Wind will set aside $25 million in a fund, to which the Debtors shall subordinate, and to which ENE shall cause its non-Debtor affiliates to subordinate, any claims or right to distribution they may have against Wind to the allowed claims of third party creditors unaffiliated with ENE, with the effect that such fund shall be available exclusively for distribution to Wind Creditors unless or until such claims are paid in full.

(v) Indemnifications/Holdbacks. There are no post-closing indemnification obligations.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on April 15, 2002, and the sale closed on May 10, 2002. The Bankruptcy Court approved the post-closing purchase price adjustment on June 23, 2003.

g. Enron Wind Development Corp. (160MW Power Project).

(i) Sellers. EWDC, a subsidiary of Wind, and certain subsidiaries of EWDC. Wind is an indirect subsidiary of SSLC.

(ii) Purchaser. AEP.

(iii) Assets. Two wind power generation facilities located near Iraan, Texas.

(iv) Consideration. The Bankruptcy Court-approved sales price was approximately $175 million. The seller received $102 million at closing and an additional $24 million post-closing (funds were held back to satisfy certain potential warranty claims relating to the operation and performance of the project). As a result, net proceeds were approximately $126 million. Other purchase price deductions include repayment of project debt, amounts due to subcontractors, warranty deferrals, and curtailment deferrals. The seller could receive additional proceeds from the curtailment deferral, depending on the project performance.

(v) Indemnifications/Holdbacks. Each of the buyer and seller received mutual indemnities from each other relating to breaches of covenants and representations and warranties in connection with the sale. All indemnity obligations of EWDC and its subsidiaries were limited in the aggregate to a maximum of 100% of the purchase price. The sellers' indemnity exposure is applicable only to the aggregate amount of the buyer's losses in excess of $625,000. Indemnity claims must be submitted within sixty days of the expiration of the applicable survival period relating to the claim, which, for most claims, is twenty-four months following the closing. Under the terms of the sale agreement, up to $3.7 million will be paid to EWDC over a four-year period if grid curtailment of the facilities does not exceed 275,000 MWh during such period.

(vi) Approval and Closing Date. The Bankruptcy Court approved the transaction on December 28, 2001, and the sale closed on December 29, 2001.

h. Mariner Energy (Falcon Corridor Offshore Assets).

(i) Seller. Mariner, a wholly owned subsidiary of Mariner Energy, LLC which is 95.7% owned by Joint Energy. Mariner, Mariner Energy, and Joint Energy are all non-Debtors.

(ii) **Purchaser**. Pioneer Natural Resources USA, Inc.

(iii) **Assets**. 25% working interest in the Falcon Corridor, an area located in East Breaks Blocks 579 and 623 in the deepwater Gulf of Mexico that includes the Falcon and Harrier projects, plus associated leaseholds and prospects.

(iv) **Consideration**. The agreed sales price was approximately $122 million reduced by approximately $8.5 million in post-closing adjustments.

(v) **Indemnifications/Holdbacks**. Mariner retained a 4.25% overriding royalty interest in selected blocks within the current area of mutual interest in order to maintain exposure to the Big Hum prospect and, to a lesser extent, other prospects. Pioneer assumed Mariner's remaining commitments for use of certain equipment and services.

(vi) **Approval and Closing Date**. Given Mariner's status as a non-Debtor, the sale did not require Bankruptcy Court approval. The sale closed on April 1, 2003.

i. Enron Center South (Office Building).

(i) **Seller**. SSLC, a wholly owned, direct subsidiary of ENE. ENW and ENE were also parties to the sale.

(ii) **Purchaser**. Intell Management and Investment Company.

(iii) **Assets**. Enron Center South office building and related assets, parking garage, sky ring, Enron Child Care Center, and vacant city block.

(iv) **Consideration**. The Bankruptcy Court-approved sales price was $102 million.

(v) **Indemnifications/Holdbacks**. None.

(vi) **Approval and Closing Date**. The Bankruptcy Court approved the transaction on October 10, 2002, and the sale closed on December 30, 2002.

C. Litigation and Government Investigations

1. Pending Litigation

Prepetition, ENE and its subsidiaries and affiliates were parties to the variety of litigation one might anticipate in the course of conducting their energy, communications, and related businesses. In the aftermath of ENE's third-quarter 2001 earnings announcement and subsequent events, numerous securities and ERISA complaints were filed against ENE, certain of its former officers and directors, and third parties alleged to have participated in ENE's demise. With the filing of these Chapter 11 Cases, additional litigation, including numerous adversary proceedings, has ensued related to the wind up of parts of the Debtors' businesses and alleged defaults resulting from the bankruptcy and other matters.

This section is intended to disclose material pending litigation involving (i) the Debtors as parties and (ii) assets, structures, or non-Debtor affiliates, which litigation may have a material impact on the value of the Debtors' estates. For purposes of this disclosure, pending litigation is considered material if (i) $10 million or more is claimed or unspecified damages could total $10 million or more, or (ii) the claims, if proven, could impact the ownership or control of substantial assets or structures of the Debtors' estates. Additional litigation involving CrossCountry, PGE, and Prisma is discussed in each company's respective section of this Disclosure Statement. Significant settled litigation, such as *Enron Corp., et al. v. Dynegy, Inc. and Dynegy Holdings, Inc.* (originally filed as Adv. No. 01-03626, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division, and subsequently transferred to the United States District Court for the Southern District of Texas, Houston Division) is discussed elsewhere in this Disclosure Statement. Refer to Section IV.B.3., "Settled Litigation" for further information.

The factual case descriptions below, which are based on Debtors' view of the proceedings and subject to further review, elaboration, or modification, are included for information purposes only, and others familiar with these proceedings may dispute all or part of these descriptions or assessments. As with all litigation, there is inherent risk and unpredictability, which makes it impossible to predict with any degree of accuracy the overall impact of the litigation referenced below on the value of the Debtors' estates. Certain cases involving wholesale and retail trading contracts have been referred to court-ordered mediation. Many of the cases referenced herein have not pleaded a specified amount of damages. Many others remain in the early stages of litigation and discovery; thus, it is difficult to predict the likelihood of liability or recovery. Where appropriate, the Debtors are pursuing settlement strategies to reduce risk and litigation costs to their estates, and to the extent that any such settlements have been reached, they are noted below.

a. Securities, ERISA, and Related Litigation. Since October 16, 2001, hundreds of class action and individual lawsuits against ENE and certain current and former officers and directors have been filed across the country in both state and federal courts involving allegations that the defendants made a series of material misrepresentations to the market and/or to the Enron Companies' current and former employees who participated in the Enron Companies' benefit plans during certain class periods, thereby artificially inflating the price of ENE common and/or preferred stock, as well as the value of the employees' benefit plans. Pursuant to a standing transfer and coordination order in MDL #1446, *In re Enron Corporation Securities, Derivative and "ERISA" Litigation*, much of the litigation against ENE has been transferred to the United States District Court for the Southern District of Texas, the Honorable Melinda Harmon presiding, and consolidated into either the *Newby* Action, which is a securities class action, or the *Tittle* Action, which is an ERISA-related class action. Refer to Appendix E: "Cases Consolidated Into Newby Action" and Appendix F: "Cases Consolidated Into Tittle Action" for further information about the constituent cases that have been consolidated into the *Newby* Action and the *Tittle* Action, respectively. Given the significance of the allegations involved in the *Newby* and *Tittle* Actions, as well as the magnitude of potential damages that could be awarded plaintiffs in these two consolidated actions, it is likely that the combination of defense costs and any judgment rendered against ENE, could exceed the limits of the Debtors' insurance coverage.

Both the securities and ERISA litigation, as well as other, related litigation discussed below, include claims that involve Broadband Services, transactions with certain related-party entities, and ENE's accounting for various transactions. The plaintiffs in each action generally seek to recover compensatory damages, expert fees, attorneys' fees, costs of court, and pre- and post-judgment interest. The consolidated class action suits ? the *Tittle* Action and the *Newby* Action ? and the related litigation, are described in greater detail below.

(i) Newby v. Enron Corp., et al. (No. H-01-3624, United States District Court for the Southern District of Texas, Houston Division). Refer to Appendix E: "Cases Consolidated Into Newby Action" for a listing of constituent cases. Plaintiffs are a putative class of investors who allegedly purchased ENE publicly traded equity and debt securities between October 19, 1998 and November 27, 2001. Plaintiffs' claims arise under sections 10(b), 20(a) and 20A of the Exchange Act, and sections 11 and 15 of the Securities Act. A claim for violations of the Texas Security Act, Article 581-33, is alleged by plaintiff Washington State Investment Board against certain individuals and banks. The majority of the allegations charge defendants with (i) false and misleading statements of material fact made to the marketplace concerning the strength and prospects of the Enron Companies' business and finances; (ii) false and misleading statements in publicly filed documents, such as registration statements and prospectus; (iii) insider trading; (iv) participation in schemes and artifices to defraud, namely partnerships and SPEs; and (v) control person liability.

Although the *Newby* plaintiffs moved to modify the automatic stay and add ENE as a defendant in the lawsuit, ENE successfully opposed the motion. At this time, ENE is not a party to the action, although document discovery involving ENE is proceeding in the consolidated *Newby* Action. Trial is set for October 17, 2005, according to the court's July 11, 2003 Scheduling Order.

In addition, most of the named defendants in the proceeding filed motions to dismiss, and Judge Harmon has issued decisions granting, in whole or in part, several of the motions. For example, on January 28, 2003, Judge Harmon granted motions to dismiss claims against certain individual Arthur Andersen defendants, and on April 23, 2003, the court granted motions to dismiss filed by defendants James Derrick and Joseph Hirko. However, Hirko was added as a defendant again in the first amended consolidated complaint, filed on May 14, 2003. Hirko's motion to dismiss this complaint is currently pending. With the exception of the Kirkland & Ellis law firm, none of the institutional defendants has been dismissed from the case.

On May 28, 2003, Judge Harmon and United States Bankruptcy Judge Arthur Gonzalez issued a joint order in the *Newby* and *Tittle* Actions, as well as the Chapter 11 Cases, referring certain litigants to a mandatory mediation process. The parties ordered to the mediation process include ENE and its affiliated Debtors (including representatives of the Creditors' Committee), lead plaintiffs in the cases comprising the *Newby* Action and the *Tittle* Action, and financial institutions including JPMCB, Citigroup, Inc., and its subsidiary Salomon Smith Barney, Inc., CSFB, Canadian Imperial Bank of Commerce, BoA, Merrill Lynch & Co., Barclays, Lehman Brothers Holding, Inc., UBS Paine Webber, Inc. and UBS Warburg, LLC, Deutsche Bank AG, and Goldman Sachs. The Court has appointed Senior U.S. District Court Judge William C. Conner as Mediator. On June 30, 2003, the Mediator held a mediation scheduling conference. An initial mediation session is scheduled for September 29-30, 2003, and a second session is scheduled for October 29-31, 2003.

(ii) Pamela M. Tittle v. Enron Corp., et al. (No. 01-3913, United States District Court for the Southern District of Texas, Houston Division). Refer to Appendix F: "Cases Consolidated Into Tittle Action", for a listing of constituent cases, including a recent action filed by the U.S. Department of Labor, which the court quickly consolidated *sua sponte*. Plaintiffs brought this ERISA-based action on behalf of a putative class of an estimated 24,000 current and former employees of the Enron Companies who were participants in three employee benefit plans: the ENE Savings Plan, the ESOP, and the Cash Balance Plan, or who received ENE stock as compensation, between January 20, 1998 and December 2, 2001. Plaintiffs allege that assets in the Employee Plans are now worthless as a direct result of unlawful conduct of the defendants. The complaint raises federal claims under RICO and ERISA, and claims of conspiracy and negligence under Texas law. The bulk of the allegations charge that the defendants (i) knowingly misled members of the ENE Savings Plan and the ESOP into purchasing overvalued ENE stock, and allowed matching contributions of the overvalued stock to be put in such plans; (ii) knew of the Enron Companies' precarious financial position, yet allowed lockdowns of Enron Companies' employee retirement plans, causing hundreds of millions of dollars in losses; (iii) failed to adequately diversify the ENE Savings Plan assets; (iv) used overvalued ENE stock to pay employee bonuses and pension benefits; (v) failed to properly perform auditing services; and (vi) conspired to conceal the Enron Companies' true financial condition, thereby luring Enron Companies employees into accepting worthless stock.

ENE, along with most of the other defendants, has pending a motion to dismiss the plaintiffs' complaint and, therefore, no answer has been filed in the case. Document discovery is proceeding, however, and depositions are scheduled to begin in January 2004, with trial set for October 17, 2005, according to the court's July 11, 2003 Scheduling Order.

On May 28, 2003, Judge Harmon and United States Bankruptcy Judge Arthur Gonzalez issued a joint order in the *Newby* and *Tittle* Actions, as well as the Chapter 11 Cases pending in New York, referring certain litigants to a mandatory mediation process. The parties ordered to the mediation process include ENE and its affiliated Debtors (including representatives of the Creditors' Committee), lead plaintiffs in the cases comprising the *Newby* Action and the *Tittle* Action, and financial institutions including JPMCB, Citigroup, Inc., and its subsidiary Salomon Smith Barney, Inc., CSFB, Canadian Imperial Bank of Commerce, BoA, Merrill Lynch & Co., Barclays, Lehman Brothers Holding, Inc., UBS Paine Webber, Inc. and UBS Warburg, LLC, Deutsche Bank AG, and Goldman Sachs. The Court has appointed Senior U.S. District Court Judge William C. Conner as Mediator. On June 30, 2003, the Mediator held a mediation scheduling conference. An initial mediation session is scheduled for September 29-30, 2003, and a second session is scheduled for October 29-31, 2003.

(iii) The Official Committee of Unsecured Creditors of Enron Corp. et al. v. Fastow et al. (No. 02-10-06531-CV, 9th Judicial District Court, Montgomery County, Texas; removed to U.S. District Court, Southern District of Texas, Houston Division, No. 02-3939). On October 16, 2002, the Creditors' Committee filed this action for the benefit of the ENE estate, as authorized by the Bankruptcy Court, against Andrew S. Fastow, Ben Glisan, Jr., Richard B. Buy, Richard A. Causey, Jeffrey K. Skilling, Kenneth L. Lay, Kristina M. Morduant, Kathy Lynn, and Anne Yaeger Patel ? all of whom are former officers and directors of ENE ? alleging that the defendants engaged in a series of transactions between ENE and various SPEs to develop new sources of financing using deals that would not be reflected on ENE's books, but that would enrich the defendants personally at ENE's expense. The case was removed from Texas State District Court in Montgomery County to the United States District Court for the Southern District of Texas, Houston Division. On November 12, 2002, defendant Lay filed a notice to have the suit consolidated with the *Newby* Action. On November 15, 2002, the Creditors' Committee filed motions to remand the case back to Montgomery County and/or to abstain from ruling on the issues in the case, and objected to the notice of consolidation. The competing motions are pending before Judge Harmon.

(iv) Rosenzweig et al. v. Azurix Corp., et al. including Enron Corp. (No. 00-CV-3493, U.S. District Court, Southern District of Texas, Houston Division; 02-20804, U.S. Court of Appeals, Fifth Circuit). Investors in Azurix securities seek damages of approximately $20 million and allege inadequacy of Azurix disclosures in its initial public offering prospectus and subsequent SEC filings. In March 2002, the district court dismissed all of Rosenzweig's claims against Azurix and the individual defendants with prejudice; however, Rosenzweig's claims against ENE were dismissed without prejudice because of ENE's pending bankruptcy. Rosenzweig filed an appeal with the Fifth Circuit in July 2002, and in July 2003, the Fifth Circuit affirmed the district court's decision.

b. Pending Preference and Avoidance Actions

Refer to Section IV.E., "Avoidance Actions" for further information.

(i) Enron Corp., et al. v. Whitewing Associates, L.P., et al. (Adv. No. 03-02116, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). In February 2003, the Creditors' Committee filed a motion pursuant to section 1109(b) of the Bankruptcy Code for authority to commence an action on behalf of ENE against Whitewing LP, an affiliate of ENE, and other entities in the Whitewing structure, and Osprey, under three theories: (a) substantive consolidation of all the Whitewing entities; (b) recharacterization of certain sales transactions to financings, on the ground that true sales were not involved; and (c) recovery of preferential payments to Whitewing entities. Also in February 2003, ENE commenced an avoidance action pursuant to section 547(b) of the Bankruptcy Code against Whitewing LP, Osprey, two representative investors in Osprey Notes and Certificates, and the two indenture trustees for the Osprey Notes and Certificates. The complaint seeks to recover approximately $957 million plus interest in preferential payments made to Whitewing LP within one year of the Initial Petition Date. In March 2003, the Creditors' Committee filed another motion seeking to intervene in the ENE preference action and, alternatively, to consolidate the substantive consolidation and recharacterization claims with ENE's preference claim. Upon ENE's objections, on April 1, 2003, the Bankruptcy Court denied the Creditors' Committee's motion for authority to sue, and granted only the motion to intervene in ENE's preference action subject to the terms of section 1109(b) of the Bankruptcy Code. ENE is engaged in settlement negotiations with the Osprey investors.

Additionally, on February 5, 2003, the Creditors' Committee filed a motion pursuant to sections 105 and 363 of the Bankruptcy Code authorizing and approving the waiver of two types of contractual restrictions that purport to limit the sale of assets of certain non-Debtor affiliates within the Whitewing structure. As of August 21, 2003, the Bankruptcy Court had not ruled on the Creditors' Committee motion seeking the waiver of certain restrictions with respect to the sale of assets of certain non-Debtor affiliates.

(ii) Enron Corp. v. Bank of America, N.A. (Adv. No. 02-03436, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). In this action, filed on October 29, 2002, the Debtors seek to avoid and recover on several grounds, including as preferential transfers and improper setoffs, more than $123 million that BoA seized from an ENE bank account during the three business days immediately prior to the Initial Petition Date. The genesis of the complaint was a master letter of credit and reimbursement agreement that ENE had entered into with BoA, pursuant to which BoA had issued various letters of credit for or on behalf of various Debtors. Approximately $80 million of the funds seized by BoA were purportedly deposited by it into a "cash collateral" account to reimburse itself for future draws under letters of credit where ENE had a reimbursement obligation. BoA contends that it applied the balance of $43 million in seized funds to offset amounts that it alleged were owed by ENE for obligations it had guaranteed under two swap agreements between BoA and ENE affiliates. BoA denied the allegations in the complaint and asserted a single counterclaim seeking to terminate the automatic stay to allow it to apply, as an offset, the $80 million that it had previously transferred to the "cash collateral" account. The parties stipulated that the automatic stay would not terminate under section 362(e) until the matter was fully resolved; the Debtors answered the counterclaim. On May 9, 2003, JPMCB filed a motion to intervene, which was subsequently withdrawn by stipulation among ENE, BoA and JPMCB.

The Debtors believe that the preference cause of action under section 547(b) of the Bankruptcy Code and the improper setoff cause of action under section 553(b) are predicated upon simple and undisputed facts. Accordingly, the Debtors filed a motion for summary judgment on these two causes of action. On June 16, 2003 BoA filed a response to ENE's summary judgment motion, and a cross-motion for summary judgment on the remaining causes of action in the complaint. ENE and BoA filed reply and sur-reply briefs, respectively. ENE intends to go forward at this time with summary judgment only on the preference cause of action. The hearing on ENE's motion was held on July 31, 2003, and the Bankruptcy Court took the matter under advisement. BoA's cross-motion will be heard separately at a later date.

(iii) The Official Committee of Unsecured Creditors of Enron Corp. et al. v. Arthur Andersen L.L.P. (Adv. No. 02-03119, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). The Creditors' Committee and ENE (as co-plaintiffs) commenced an adversary proceeding on September 20, 2002 against Arthur Andersen seeking to avoid and recover, as preferential transfers and/or fraudulent conveyances, almost $10 million in payments made during the 90 days immediately prior to the Initial Petition Date. Of that amount, ENE paid Arthur Andersen approximately $9.4 million by wire transfer on or about November 29, 2001. Arthur Andersen answered the complaint and simultaneously moved to withdraw the reference of the adversary proceeding, alleging that it was entitled to a jury trial because it had not filed any proofs of claim in the Chapter 11 Cases and was not, therefore, a creditor subject to the equitable jurisdiction of the Bankruptcy Court. Arthur

Andersen indicated that it would not consent to a jury trial in the Bankruptcy Court, as permitted by 28 U.S.C. § 157(e). The Debtors opposed the motion, which the district court denied as premature.

The Debtors subsequently filed a motion in the Bankruptcy Court seeking a ruling that the adversary proceeding was a "core" proceeding within the meaning of 28 U.S.C. § 157(b). Although it initially opposed the motion, after negotiations with the Debtors, Arthur Andersen signed a stipulation acknowledging that the adversary proceeding is core. The Debtors and Arthur Andersen also agreed that any factual issues would be tried in the district court. This enabled the Bankruptcy Court to retain control over most of the pretrial issues that might arise. Discovery is proceeding in this action.

(iv) The Official Committee of Unsecured Creditors of Enron Corp. et al. v. Kenneth L. Lay and Linda P. Lay (Adv. No. 03-02075, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). The Creditors' Committee commenced an adversary proceeding on January 31, 2003 alleging that between May 3, 1999 and November 27, 2001, Mr. Lay used shares of ENE common stock to repay over $94 million in cash loans he received from ENE pursuant to a revolving loan agreement. The Creditors' Committee seeks recovery of over $74 million of these repayments that occurred within one year of the bankruptcy filing on the grounds that the tendering of ENE's own stock to repay loans taken in cash was not a fair exchange for ENE and that these repayments were fraudulent transfers subject to avoidance under the Bankruptcy Code. In addition, the Creditors' Committee seeks to recover approximately $10 million representing sums received by the Lays from ENE in September 2001 when the Lays temporarily assigned their interest in two annuity contracts to ENE in exchange for the cash. On June 23, 2003, the United States District Court for the Southern District of New York denied the Lays' motion to withdraw the reference of the adversary proceeding. Thus, the Bankruptcy Court will retain jurisdiction over all pretrial issues. The parties have agreed to a briefing schedule regarding the Lays' response to the amended complaint filed by the Creditors' Committee. On July 16, 2003, the Lays filed a motion to dismiss the amended complaint. The Creditors' Committee objected to the Lays' motion on August 11, 2003. The motion is pending before the Bankruptcy Court.

c. Trading Litigation. The Wholesale Services and Retail Services Debtors and certain of their non-Debtor affiliates have filed a number of adversary proceedings to recover amounts owed to certain Debtors and their non-Debtor affiliates in connection with the wholesale trading and retail book and the provision of services. In these cases, the Wholesale Services Debtors, Retail Services Debtors, and the non-Debtor affiliates, among other things, allege that counterparties wrongfully exercised control over the property of Debtor estates; allege breach by counterparties of their contractual obligations to pay debts; seek declarations that the non-mutual setoff (such as triangular setoff), netting, termination, and joint and several liability provisions of certain agreements are not enforceable; assert claims for turnover, violation of automatic stay, breach of contract, and unjust enrichment; allege that the counterparties' proofs of claim should be disallowed; and allege that arbitration clauses are unenforceable. In other cases, the Wholesale Services Debtors are named defendants facing allegations involving setoff, recoupment, constructive trust, and piercing the corporate veil. The counterparties against which these proceedings have been brought (or which, in some instances, have initiated these proceedings), can be expected to raise counterclaims and defenses to these actions, including fraudulent inducement.

(i) Trading Litigation Referred to Mediation. Pursuant to a Bankruptcy Court order, the adversary proceedings listed below are presently stayed (with certain limited exceptions) pending mediation before the Honorable Allan L. Gropper, United States Bankruptcy Judge, Southern District of New York or, as indicated below, have otherwise been resolved.

Trading Adversaries Referred to Mediation

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Enron Power Marketing, Inc. v. IDACORP Energy, L.P.,	03-02125	EPMI seeks declaratory relief and recovery pursuant to IDACORP's failure to pay a termination payment pursuant to the terms of a Western Systems Power Pool Agreement entered into by the parties. This case has settled for a confidential amount. On May 23, 2003, the Bankruptcy Court entered a stipulation dismissing the adversary proceeding with prejudice.	$38.9 million
Enron Energy Services, Inc. v. International Business Machines Corporation	02-03537	EESI seeks declaratory relief and recovery of approximately $11.6 million due to EESI resulting from IBM's refusal to pay for prepetition and postpetition power deliveries to IBM's California facilities. This case has settled for a confidential amount, pending Bankruptcy Court approval.	$11.6 million
Enron North America Corp. v. Macromedia Incorporated & North Jersey Media Group, Inc.	03-02094	ENA seeks declaratory relief and recovery of approximately $11.8 million owed to ENA resulting from the early termination of a master agreement between the parties providing for the purchase and sale of financial derivative products. This case has settled for a confidential amount. On September 17, 2003, the Bankruptcy Court entered a stipulation dismissing the adversary proceeding with prejudice.	$11.8 million
Enron Power Marketing, Inc. v. Smurfit Stone Container Corporation	02-03540	EPMI seeks declaratory relief and recovery of approximately $18.6 million owing to EPMI resulting from Smurfit's refusal to pay a termination payment resulting from the early termination of an agreement between the parties. This case was settled for a confidential amount, pending Bankruptcy Court approval.	$18.6 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Enron Power Marketing, Inc. v. Old Dominion Electric Cooperative	02-03539	EPMI seeks declaratory relief and recovery of approximately $10.4 million owing to EPMI resulting from Old Dominion's failure to pay a termination payment resulting from the early termination of an agreement between the parties. This case has settled for a confidential amount, pending Bankruptcy Court approval.	$10.4 million
Utah Associated Municipal Power Systems v. Enron Power Marketing, Inc. and Enron Corp.	02-02250	UAMPS seeks a declaration that the master power purchase and sale agreement it entered into with EPMI under which EPMI is required to provide UAMPS with a fixed amount of firm energy is void and unenforceable because of ENE's and EPMI's alleged fraud in the inducement of UAMPS's execution of the agreement to supply electricity to their customers. On December 10, 2002, EPMI filed its answer and counterclaim seeking an order ordering UAMPS to turn over the termination payment owed by it to EPMI, and seeking damages of approximately $14 million plus interest resulting from UAMPS's failure to pay EPMI the termination payment, permanently suspending performance under the master power purchase and sale agreement and failing to pay an accelerated liquidated damages payment. This case has been settled for a confidential amount, pending Bankruptcy Court approval.	$14 million
Enron Power Marketing, Inc. v. City of Vernon	03-03131	EPMI seeks declaratory judgment and recovery of approximately $7 million from the City of Vernon for its failure to pay the termination payment due and owing to EPMI as a result of the early termination of transaction agreements entered into pursuant to the Western Systems Power Pool Agreement.	$7 million
Enron Power Marketing, Inc. v. El Paso Merchant Energy, LP et al.	03-02164	EPMI has sued El Paso Merchant Energy, L.P. and El Paso Corp. seeking declaratory relief and recovery of approximately $42 million owed for prepetition receivables and liquidated damages for the early termination of transactions under a master power purchase and sale agreement entered into between the parties. El Paso has filed a motion to dismiss the adversary proceeding and a motion to compel arbitration.	$42 million
Enron Corp. et al. including co-Debtors ENA, EPMI, EESI, ECTRIC, EGLI, EBS and EnronOnline, LLC, Enron Capital & Trade Resources Corp., Enron Capital &	02-03468	Various of the Enron Companies commenced this adversary proceeding against Dynegy and certain of its affiliates, seeking recovery of approximately $230 million (plus interest) in connection with the early termination of various trading agreements between the parties. In addition, the plaintiffs seek a declaration that the set off, netting, termination and	$230 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Trade Resources, Ltd. And non-Debtor Enron Canada Corp. v. Dynegy, Inc. et al.		joint and several liability provisions of a master netting setoff and security agreement entered into by the parties in November 2001 are invalid, unenforceable and avoidable. The Dynegy defendants contend that if the master netting agreement is enforceable, the plaintiffs would owe the defendants $93 million. Dynegy's motion to compel arbitration, which was fully briefed and argued on January 16, 2003, is *sub judice*.	
Enron Corp, et al. including co-Debtors ENA, EPMI, EESI, ENA Upstream and EBS and non-Debtor Enron Canada Corp. v. Reliant Energy Services, Inc. et al.	03-02073	This suit by Debtors ENE, ENA, EPMI, EESI, ENA Upstream, EBS and non-Debtor Enron Canada against Reliant and its Canadian subsidiary involves a dispute regarding the validity, enforceability and avoidability of a master netting setoff and security agreement entered into between the parties twenty-four days prior to the Initial Petition Date. The Enron entities seek declaratory relief and recovery of approximately $13.3 million resulting from Reliant's refusal to pay final termination payment resulting from the early termination of the agreement between the parties.	$13.3 million
Enron Power Marketing, Inc. v. Allegheny Energy Supply Co., LLC	03-03180	EPMI seeks declaratory relief and recovery of approximately $36 million for AES's failure to pay prepetition receivables and to return cash collateral provided by EPMI under the master energy purchase and sale agreement entered into by the parties following AES's early termination of the agreement.	$36 million
Enron North America Corp. v. The American Coal Company	03-03542	ENA seeks payment of contractual consideration and forward contract value totaling approximately $31 million from American Coal representing sums owed to ENA for its agreement to forgo the delivery of certain quantities of coal from specified mines and the forward value of the remaining term of the coal purchase agreement between the parties. On June 25, 2003, American Coal's motion to withdraw the reference was denied, and American Coal filed a motion to certify such order for interlocutory appeal.	$31 million
Enron North America Corp. v. Knauf Fiber Glass GmbH	03-03054	ENA seeks declaratory relief and recovery of approximately 6.9 million from Knauf for Knauf's failure to pay a termination payment due and owing pursuant to the terms of an ISDA master agreement and financial swap entered into by the parties. On June 16, 2003, Knauf filed a demand for jury trial.	$6.9 million
Enron North America Corp. v. Knight-Ridder, Inc.	02-03032	ENA seeks recovery of approximately $11.7 million for Knight-Ridder's failure to pay a termination payment resulting from Knight-Ridder's early termination of an agreement between the parties.	$11.7 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Enron North America Corp. v. Medianews Group, Inc.	03-03129	ENA seeks declaratory judgment and recovery of approximately $16 million from Medianews for its failure to pay the termination payment due and owing to ENA as a result of the early termination of a master ISDA agreement entered into by the parties in October 1998. On July 11, 2003, Medianews filed a motion to dismiss and to compel arbitration.	$16 million
Enron North America Corp. v. Noble Gas Marketing, Inc., Samedan Oil Corp. and Aspect Resources, LLC	02-03543	ENA seeks declaratory relief and payment of approximately $60 from Noble for Noble's failure to pay prepetition receivables and early termination payments related to several agreements between the parties.	$60 million
Enron North America Corp. v. Tribune Company	02-03033	ENA seeks recovery of approximately $23 million for Tribune's failure to pay a termination payment due and owing for Tribune's early termination of an agreement between the parties.	$23 million
Enron Power Marketing, Inc. v. AES Corporation et al.	02-03541	Suit against AES Corp., Constellation New Energy, Inc., f/k/a AES New Energy, Inc. and CILCO seeking declaratory relief and damages of approximately $43.8 million from Constellation and CILCO resulting from their failure to pay prepetition receivables, postpetition receivables and amounts owed to EPMI resulting from the early termination of two separate agreements between the parties. AES Corp. is a party because it executed a guaranty agreement on behalf of its subsidiary and predecessor-in-interest Constellation. Constellation and CILCO filed a motion to dismiss and or to strike certain portions of the complaint, which is pending.	$43.8 million
Enron Power Marketing, Inc. v. City of Palo Alto	03-02062	Action for declaratory relief and recovery of approximately $8 million for Palo Alto's failure to pay a termination payment resulting from the early termination of an agreement between the parties.	$8 million
Enron Power Marketing, Inc. v. City of Palo Alto	03-02063	Action for declaratory relief and recovery of approximately $40 million for Palo Alto's failure to pay a termination payment resulting from the early termination of an agreement between the parties.	$40 million
Enron Power Marketing, Inc. v. City of Santa Clara - Silicon Valley Power	02-02719	Action for recovery of approximately $146.5 million due to Santa Clara's breach of a master energy purchase and sale agreement.	$146.5 million
Enron Power Marketing, Inc. v. Conectiv Energy Supply, Inc.	03-02066	Action for declaratory relief and payment of approximately $11.4 million due to Conectiv's failure to pay prepetition receivables and a termination payment resulting from the early termination of a master power purchase and sale agreement.	$11.4 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Enron Power Marketing, Inc. v. GPU Services, Inc. et al.	03-02074	Action for declaratory relief and to recover payment of approximately $21.6 million stemming from postpetition termination of numerous energy transactions.	$21.6 million
Enron Power Marketing, Inc. v. Luzenac America, Inc.	03-02096	Action for declaratory relief and to recover approximately $6.8 million for pre- and postpetition electricity sales pursuant to a master purchase agreement.	$6.8 million
Enron Power Marketing, Inc. v. Nevada Power Company and SPPC and third party defendant, Enron Corp.	02-02520	EPMI filed this adversary proceeding to recover approximately $309.5 million owing to EPMI pursuant to certain power purchase and sale transactions between EPMI and NPC and SPPC governed by the Western Systems Power Pool Agreement. On September 13, 2002, the court denied SPPC's and NPC's motion to stay or to dismiss the adversary proceeding pending the outcome of their FERC proceeding against EPMI and others. On December 5, 2002, NPC and SPPC filed their answer and counterclaim alleging that EPMI wrongfully terminated the Western Systems Power Pool Agreement, breached the covenant of good faith and fair dealing, and violated the Nevada Unfair Trade Practices Act. The counterclaim also contains allegations of fraud on the market/market manipulation and RICO claims against EPMI, ENE, and Timothy Belden. NPC and SPPC seek unspecified actual and punitive damages and injunctive relief. ENE filed a motion to dismiss the counterclaim. EPMI filed a motion for partial summary judgment and on January 14, 2003, the Bankruptcy Court entered an order granting the motion as to EPMI's claim for damages for power that was delivered to the defendants. NPC was ordered to pay damages plus prejudgment interest totaling $17.6 million with interest of $5,695 accruing daily until paid. SPPC was ordered to pay damages plus prejudgment interest totaling $6.8 million with interest of $2,136 accruing daily until paid. EPMI has filed a motion to dismiss the counterclaim filed by NPC and SPPC. On March 14, 2003, the Nevada PUC filed a motion to join in EPMI's motion to dismiss the counterclaim. On June 9, 2003, Nevada Power filed its opposition to EPMI's motion to dismiss the counterclaim. On June 27, 2003, defendant Timothy Belden filed a motion to stay this civil proceeding against him pending resolution of his criminal proceedings or, in the alternative, for additional time in which to respond to the counterclaim. Refer to Section IV.C.2.a(iii)(B), "Timothy Belden Plea" for further information on the criminal proceedings against Mr.	$309.5 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
		Belden. On August 28, 2003, the Bankruptcy Court issued an opinion granting summary judgment in favor of EPMI on the remaining issues in the case. Thereafter, NPC and SPPC filed a motion for reconsideration.	
Enron Power Marketing, Inc. v. Public Utility District No. 1 of Snohomish County	03-02064	EPMI seeks declaratory relief and recovery of approximately $116.8 million owing to EPMI resulting from Snohomish's failure to pay a termination payment resulting from the early termination of an agreement between the parties.	$116.8 million
Enron Power Marketing, Inc. v. Select Energy, Inc.	02-03538	EPMI seeks declaratory relief and recovery of approximately $2.5 million owing to EPMI resulting from Select's refusal to pay postpetition debts it owes EPMI under power purchase and sale agreement between the parties.	$2.5 million
Enron Power Marketing, Inc. v. The United Illuminating Co. and UIL Holdings Corp.	03-02065	EPMI seeks declaratory relief and recovery of approximately $8.3 million owing to EPMI resulting from UIC's refusal to pay a postpetition debt it owes EPMI under power supply agreement between the parties. On July 3, 2003, UIL filed a motion to withdraw the reference.	$8.3 million
Enron Power Marketing, Inc. v. Valley Electric Association, Inc.	03-02107	EPMI seeks declaratory relief and recovery of approximately $22 million from VEA resulting from the early termination of a master agreement between the parties and for liquidated damages arising from VEA's postpetition conduct.	$22 million
Enron Power Marketing, Inc. v. Wabash Valley Power Association	03-03178	EPMI seeks declaratory relief and recovery of approximately $16.7 million for Wabash's failure to pay a termination payment upon the early termination of the master power agreement between the parties.	$16.7 million
American Home Assurance Co. & AIG Energy Trading, Inc. v. Enron Corp., Enron North America Corp. & Enron Natural Gas Marketing Corp.	03-02168	American Home filed this declaratory judgment action seeking declaratory relief and setoff of a $56 million prepetition debt that AIGE owes ENA pursuant to forward transactions entered into between the parties against a $125.9 million debt that ENGMC & ENE owe American Home. American Home also alleges alter ego and fraud claims. The defendants filed a motion to dismiss for lack of standing and failure to state a claim upon which relief can be granted. On July 31, 2003, the Creditors' Committee filed a motion to join the Debtors' motion to dismiss. AIGE has moved to lift the stay. The Debtors and the Creditors' Committee took no position with respect to the motion. On July 24, 2003, the Bankruptcy Court entered an order granting the motion to lift stay on	$125.9 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
		the briefing and submission of the motion to dismiss.	
Cinergy Corp. et al v. Enron Corp., ENA, EPMI, EESI & non-debtor Enron Canada Corp.	03-02097	Plaintiffs Cinergy Corp., Cinergy Capital & Trading, Inc., Cinergy Marketing & Trading, L.P., Cinergy Canada, Inc., Cinergy Global Trading, Ltd., Cincinnati Gas & Electric, PSI Energy, Inc. and Cinergy Services, Inc. seek declaratory relief and set-off of approximately $40 million ($14.5 million owed to Cinergy Marketing & Trading; $11.1 million owed to Cincinnati Gas & Electric and $14.9 million owed to Cinergy Global Trading) as setoff arising from a series of forward contracts involving the sale of electricity, natural gas commodities and derivatives between the parties. The plaintiffs also seek to pierce the corporate veil and request that a constructive trust be imposed. On April 11, 2003, the defendants filed a motion to dismiss for failure to state a claim upon which relief can be granted.	$40 million
Duke Energy Trading and Marketing, LLC and Duke Energy Merchants, LLC v. Enron Corp., Enron Energy Services, Inc., Enron Liquid Fuels, Inc., Enron North America Corp., ENA Upstream Company, LLC, Enron Power Marketing, Inc. and Enron Reserve Acquisition Corp.	02-03609	The plaintiffs have filed suit against ENE, EESI, ELFI, ENA, ENA Upstream, EPMI, and ERAC seeking a declaration affirming the rights of each entity to set off its respective debts arising from a series of forward contracts involving electricity, natural gas and other commodities between the parties. Specifically, Duke Energy Trading & Marketing seeks a setoff of $150.3 million and Duke Energy Merchants seeks a setoff of $12 million. Duke also seeks a declaration that the Enron entities are a "single business enterprise" thereby allowing Duke to pierce the corporate veil. On January 31, 2003, Duke filed an amended complaint under seal adding factual allegations regarding the single business enterprise theory. The Creditors' Committee has filed a motion to intervene and a motion to dismiss the amended complaint. On February 15, 2003, the Enron entities filed a motion to dismiss the claim for lack of standing and failure to state a claim upon which relief can be granted. On April 1, 2003, the Bankruptcy Court granted the Creditors' Committee's motion to intervene. On April 17, 2003, the Bankruptcy Court entered a memorandum opinion ruling that Duke does not have standing to pierce the corporate veil or to seek the imposition of a constructive trust. On April 22, 2003, the Bankruptcy Court issued an order dismissing the amended complaint. On April 30, 2003, Duke filed its notice of appeal. The parties have submitted briefs to the U.S. District Court for the Southern District of New York and await oral argument on the appeal on September 19, 2003.	$150.3 million $12 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Texaco, Inc. in its individual capacity and as sole general partner of Bridgeline Holdings, et al. v. Enron North America Corp.	03-02130	Texaco et al., including Bridgeline Holdings, has filed this adversary action seeking declarations as to the rights, obligations and responsibilities of the parties to an ISDA master agreement entered into between Texaco and ENA in April 1998. On April 17, 2003, ENA filed a motion to dismiss the adversary action for failure to state a claim upon which relief can be granted.	Unspecified
Amerada Hess Corp. et al v. Enron Corp. et al	03-4770	Amerada Hess Corp., Amerada Hess Trading Co., L.L.C. and Hess Energy Trading Co. (UK) Limited have filed a declaratory judgment action against ENE, ENA, EPMI, Enron Upstream, ERAC, EESI, ELFI and ECTRIC seeking the imposition of a constructive trust, a declaration that ENE's corporate veil should be pierced and a declaration affirming Amerada Hess's right to set off debts of approximately $6.1 million it owes the Enron entities against approximately $24.2 million the Enron entities owe Amerada Hess arising from various commodity and derivative trading contracts between the parties. The Enron defendants' answers were due on August 15, 2003. On July 17, 2003, Amerada Hess filed a motion to withdraw the reference. On August 20, 2003, the Enron defendants filed a motion to dismiss the adversary proceeding.	$6.1 million
Enron North America Corp. v. The New York Times Co.	03-6159	ENA seeks declaratory relief and recovery of approximately $8 million due and owing to ENA as a result of the NYT's early termination of an ISDA agreement entered into between the parties. ENA also seeks declarations that the arbitration provision is unenforceable and that NYT is not entitled to rescission of the agreement.	$8 million
Enron North America Corp. v. Canadian Imperial Bank of Commerce	03-8418	On August 11, 2003, ENA brought this adversary proceeding seeking declaratory relief and recovery of approximately $38.5 million (less cash collateral of approximately $9.8 million held by ENA) from CIBC for its failure to pay prepetition receivables and a termination payment resulting from CIBC's early termination of an ISDA master agreement entered into between the parties.	$38.5 million
Enron North America Corp. v. Random House, Inc. & Bertelsmann, Inc.	03-8764	On August 18, 2003, ENA filed an adversary proceeding seeking declaratory relief and recovery of approximately $4.1 million from Random House (and Bertelsmann as Guarantor) for Random House's failure to pay a termination payment resulting from defendants' early termination of an ISDA master agreement entered into between the parties.	$4.1 million

Case Style*	Adv. No.	Nature of Proceeding	Amount**
Enron Power Marketing, Inc. v. Ash Grove Cement Company, Inc.	03-8655	On August 13, 2003, EPMI filed an adversary proceeding seeking declaratory relief and recovery of approximately $4.1 million from Ash Grove for its failure to pay a termination payment resulting from Ash Grove's early termination of a master power purchase and sale agreement entered into by the parties.	$4.1 million
Enron Power Marketing, Inc. v. Louisiana-Pacific Corp.	03-8486	On August 12, 2003, EPMI filed this adversary proceeding seeking declaratory relief and recovery of approximately $4.5 million from Louisiana-Pacific for its failure to pay (i) a termination payment, (ii) liquidated damages, and (iii) an amount for the postpetition delivery of power, all due and owing pursuant to the terms of a master power purchase and sale agreement entered into by the parties.	$4.5 million

* All cases are pending in the Bankruptcy Court or the U.S. District Court for the Southern District of New York.

** Amounts are taken from pleadings and are approximate.

(ii) Domestic Trading Litigation Not Referred to Mediation.

(A) Connecticut Resource Recovery Authority v. Enron Corp., et. al. including Enron Power Marketing, Inc. (Adv. No. 02-02727, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On July 22, 2002, CRRA instituted this adversary proceeding seeking imposition of a constructive trust in the amount of $220 million against the Debtors' estates. CRRA's suit alleged that it was entitled to priority recovery of the $220 million, which was paid by a third party to EPMI, allegedly on CRRA's behalf in connection with a series of contracts for the generation, purchase, and sale of power. CRRA argued that the contracts were invalid at their inception. The Bankruptcy Court dismissed the adversary proceeding on April 17, 2003 and held that even assuming the contracts were invalid, CRRA had no legal interest or property right in the $220 million, and also that CRRA's allegation that it was entitled to special priority recovery status as a government agency was without merit. CRRA filed a motion for re-argument and reconsideration of the dismissal order, to which ENE filed its opposition on May 9, 2003. The Bankruptcy Court has denied CRRA's motion for reconsideration, and CRRA has filed a notice of appeal.

(B) American Home Assurance Co. & Federal Insurance Co. v. Enron Natural Gas Marketing Corp., Enron Corp., JPMorgan Chase & Co., and American Public Energy Agency (Adv. No. 02-02171, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On March 15, 2002, American Home. and Federal Insurance Co. filed an adversary proceeding seeking a declaratory judgment and injunctive relief related to excess collateral payments in the approximate amount of $33.5 million held by JPMorgan Chase & Co. This matter relates to an April 1999 prepaid natural gas forward sale contract between ENGMC and American Public Energy Agency, a Nebraska political subdivision, in which APEA paid approximately $287 million to ENGMC for ENGMC's contract to deliver natural gas to APEA over a twelve year period. The plaintiffs' motion for summary judgment was heard on October 17, 2002. On February 25, 2003, the Bankruptcy

Court entered a memorandum decision and order denying the plaintiffs' motion for summary judgment and granting ENE's and ENGMC's request for dismissal of the complaint. The plaintiffs filed their notice of appeal on March 5, 2003.

(C) Hendricks, on behalf of herself and all others similarly situated and on behalf of the general public v. Dynegy Power Marketing, Inc., Enron Energy Services, Enron Power Marketing, Inc., PG&E Energy Trading, Reliant Energy Services, Inc., Sempra Energy Trading, Sempra Energy Resources, Southern Company Energy Marketing, Williams Energy Marketing and Trading, William Energy Services Company, Duke Energy Trading and Marketing, L.L.C., NRG Energy, Morgan Stanley Capital Group, Inc. and Does 1 through 200 inclusive (Wholesale Electricity Antitrust Cases I & II, Judicial Council Coordination Proceeding Nos. 4204-00005 and 4204-00006, Superior Court, San Diego County, California). EPMI and EES have been sued in four separate cases, including the *Hendricks* class action, all alleging violations of the California anti-trust and unfair competition laws. The cases have now been consolidated in California state court, and are currently stayed as to EPMI and EES.

(D) Enron North America Corp. v. Antarra Resources, Inc. and Badak Gas Marketing, Inc. (No. 2000-42097, 157th Judicial District Court, Harris County, Texas). Badak Resources, a subsidiary of Antarra Resources, Inc., defaulted on a gas sales agreement with ENA. Antarra, Badak's parent, guaranteed performance under the contract. ENA's damages are approximately $8.4 million. Antarra claims ENA's damages are approximately $2.5 million. ENA's motion for summary judgment on the liability issue under the gas sales contract was granted on December 12, 2000. Antarra has filed a counterclaim alleging breach of a confidentiality agreement and fraud. Antarra has produced an expert report purportedly supporting a claim to $16.6 million in damages on its counterclaim. On October 10, 2001, Badak filed a plea in intervention, alleging claims for breach of contract and violations of the Texas Deceptive Trade Practices Act against ENA. The case has been stayed by ENA's bankruptcy filing. In October 2002, the court entered an order retaining the case on the docket.

(E) Frontera Generation Limited Partnership v. Enron Power Marketing, Inc. and Electric Reliability Council of Texas, Inc. (Adv. No. 02-08004, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). Frontera filed this adversary proceeding in January 2002 to recover funds held by EPMI and ERCOT in connection with EPMI's prepetition participation in the deregulated Texas electricity market. On September 26, 2002, the Bankruptcy Court approved a stipulation by EPMI and ERCOT in which the parties agreed that (1) issues relating to ERCOT's methodology and judgment and the accurate amounts in the two funds will be decided in accordance with the dispute resolution procedures provided for in the ERCOT protocols and (2) issues relating to ERCOT's ability to setoff, entitlement to funds paid by ERCOT to EPMI, and the imposition of a constructive trust are to be decided by the Bankruptcy Court after the dispute resolution proceedings have concluded. On December 10, 2002 the Bankruptcy Court entered an order granting ERCOT's relief from automatic stay to setoff mutual obligations. At a hearing on January 24, 2003 the Bankruptcy Court granted that the portion of ERCOT's motion seeking to stay the proceeding and compelled Frontera to submit its claim of supplemental jurisdiction to alternative dispute resolution.

(F) Safeco Insurance Co. of America v. ISO New England, Inc. (Adv. No. 01-03652, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On December 21, 2001, Safeco filed this action seeking a declaratory judgment that NEPOOL's prepetition demands under certain performance bonds were premature and had no legal effect. If such demands were proper, Safeco seeks a determination of the proper amounts due under the performance bonds.

(iii) Canadian Trading Cases Not Referred to Mediation.

(A) Enron Canada Corp. v. Anadarko Energy Ltd. (No. 0201-09567) (Queen's Bench of Alberta, Judicial District of Canada). In January 1996, Enron Canada and Anadarko entered into a one-way master firm gas purchase/sale agreement. In November 2001, Anadarko gave notice that it intended to terminate the agreement on the basis that ENE's credit rating downgrade constituted a "triggering event" as the term is defined in the agreement thereby giving it the right to terminate the agreement. Enron Canada alleges that no "triggering event" took place and therefore Anadarko is in breach of the agreement for its failure to deliver gas pursuant to the terms of the agreement. Enron Canada seeks to recover $23.3 million for gas delivered, deficiency damages and early termination damages.

(B) Enron Canada Corp. v. Aquila Canada Corp. & Aquila, Inc. Arbitration (No. 0301-01202, Queen's Bench of Alberta, Judicial District of Calgary). Enron Canada commenced this proceeding against Aquila to recover net AR/AP of approximately $1.9 million and approximately $21.8 million due to Enron Canada as a result of Aquila's early termination of multiple gas purchase and sale agreements and an ISDA agreement between the parties. Aquila seeks to pierce the corporate veil and contends it has the right to setoff from all Enron affiliates.

(C) Enron Canada Corp v. Cinergy Canada, Inc. and Cinergy Corp. (No. 0201-15435) (Queen's Bench of Alberta, Judicial District of Calgary). Enron Canada and Cinergy Canada agreed to transactions for the sale and delivery of gas governed by GTCs containing two-way damage calculations. Enron Canada terminated the confirmation on the grounds that Cinergy Canada failed to make payments owed to Enron Canada for gas deliveries. Enron Canada also made a demand to Cinergy Corp. for the amounts owed by Cinergy Canada pursuant to the guaranty agreement Cinergy Corp. executed guaranteeing Cinergy Canada's obligations to Enron Canada. Cinergy Corp. also refused to pay for the gas deliveries. Enron Canada seeks damages of $7.4 million plus interest. Cinergy Corp.'s request for a stay of these proceeding in the Alberta courts on the basis of a claim it recently filed in Bankruptcy Court alleging that ENE and all of its affiliates were a single business unit was denied. Cinergy has appealed.

(D) Enron Canada Corp. v. IMC Canada Ltd. and IMC Canada Ltd., counterplaintiff v. Enron Canada Corp., counterdefendant (No. 0101-22287, Queen's Bench of Alberta, Judicial District of Calgary) and Enron Canada Corp. v. IMC Canada Ltd. and IMC Canada Ltd., counterplaintiff v. Enron Canada Corp., counterdefendant (American Arbitration Association, New York, New York). On October 25, 2000, Enron Canada and IMC entered into a two-way ISDA Master Agreement. IMC failed to make payments due under the ISDA in December 2000 and Enron Canada terminated the agreement. Enron Canada made demand for $814,000 under a letter of credit posted by IMC as collateral pursuant to the ISDA. IMC sought, unsuccessfully, an injunction preventing Enron Canada from making the demand, and IMC has appealed the denial of its injunction.

In a related proceeding, on July 23, 2002, Enron Canada commenced arbitration proceedings claiming a receivable of over CDN $2 million and mark-to-market losses of almost CDN $19 million. In its statement of counterclaim and answering statement, IMC alleges (1) that it was fraudulently induced by Enron Canada to enter into the ISDA Agreement and therefore was entitled to damages from Enron Canada in an amount not less than $13 million; (2) that Enron Canada wrongfully declared that IMC breached the ISDA Agreement and this in itself is a breach of the ISDA Agreement by Enron Canada; (3) the condition precedent under the ISDA Agreement has not been fulfilled and therefore IMC is not under any payment obligation to Enron Canada; and (4) Enron Canada is barred from making a claim based on estoppel. IMC and Enron Canada have, through mediation, settled their claims. The necessary approval has been obtained in the bankruptcy proceeding.

(E) Enron Canada Corp. v. Mirant Canada Energy Marketing Ltd. and Mirant Canada Energy Marketing, Ltd, counterplaintiff v. Enron Canada Corp., counterdefendant (No. 0201-05552, Queen's Bench of Alberta, Judicial District of Calgary). Enron Canada filed suit against Mirant Canada Energy Marketing Ltd. seeking mark-to-market losses of $45.6 million pursuant to two GTCs entered into between the parties. Mirant Canada alleges it had the right to terminate the GTCs on the basis of ENE's credit rating downgrade. Mirant Canada denies that Enron Canada lawfully terminated the GTCs and that even if ECC properly terminated the GTCs, Enron Canada incorrectly calculated the amounts owing under the GTCs. Mirant Canada also claims the right to set off amounts owing by ENA to its parent on the basis of a setoff provision in the GTCs. Mirant Canada also seeks setoff in the basis of the EnronOnline® electronic transaction agreement to the extent of the EnronOnline® mark-to-market positions. Enron Canada had taken steps to pursue Mirant (U.S. parent) on its $30 million guarantee, but attempts to collect on the guarantee are currently stayed as a result of Mirant's chapter 11 filing. In addition, Mirant Canada has filed for creditor protection under the Canadian Company Creditors Arrangement Act. Enron Canada is evaluating the effect of this filing.

(F) Enron Canada Corp. v. Petro-Canada (No. 0301-01069, Queen's Bench of Alberta, Judicial District of Calgary). Enron Canada and Petro-Canada entered into a one-way master gas purchase/sale agreement dated September 8, 1997 and amended on October 4, 2000. On February 6, 2003, Enron Canada filed an amended statement of claim against Petro-Canada, 177293 Canada Ltd., 676071 Alberta Ltd. and Petro Canada Oil and Gas to recover termination damages in the amount of $148.4 million and deficiency damages in the amount of $681,000 and interest on such amounts. Petro-Canada, 177293 and 676071 carry on business in partnership under the name Petro Canada Oil & Gas. Petro-Canada alleges it validly terminated the agreement as result of the material alteration clause and that the deemed to zero clause operates to eliminate Enron Canada's claim to its mark-to-market. Enron Canada maintains Petro-Canada's notices were invalid because they failed to provide Enron Canada adequate time to post collateral to cure the material alteration clause. Enron Canada also maintains the "one way" clause is a penalty and unenforceable.

(G) Enron Direct Canada Corp., in Receivership; EESC in Bankruptcy. Enron Canada has claims against EDCC in receivership and EESC in bankruptcy for CDN $12 million and $8 million, respectively. Quaker Oats continues to substantially impede the orderly receivership of EDCC by seeking court-ordered replacement of the bankruptcy receiver, Richter Allen & Taylor, by alleging complicity with Enron Canada, conflict of interest, and other misconduct. The court has appointed a former Justice of the Court of Queen's Bench to investigate whether EDCC properly disposed back-to-back contracts with retail customers and Enron Canada to a third party for a commercially reasonable price. Quaker was ordered to post CDN $600,000 by a letter of credit as security for costs for the application and as a condition precedent to the continuation of the challenge. The investigator is preparing its report, which will be submitted to the court in September. The receiver has approved the claims, and $6 million has been distributed to Enron Canada.

(H) Calpine Canada Natural Gas Partnership v. Enron Canada Corp. and Enron Canada Corp, counterplaintiff v. Calpine Canada Natural Gas Partnership, counterdefendant (No. 0201-02256) (Queen's Bench of Alberta, Judicial District of Calgary). In 1995 and 1996, Enron Canada and Calpine entered into two one-way master firm gas purchase/sale agreements. Calpine has filed suit alleging that various "triggering events," as the term is defined in the agreements, occurred thereby giving it the right to terminate the agreement. Calpine seeks damages of $1.5 million plus interest. In its counterclaim, Enron Canada seeks setoff of the account receivable and mark-to-market damages of over $36.5 million.

(I) Domcan Boundary Corp. v. Enron Canada Corp. (No. 0201-01117, Queen's Bench of Alberta, Judicial District of Calgary). In August 1998, Domcan and Enron Canada entered into a master firm gas purchase/sale agreement. In December 2001, Domcan terminated the agreement due to the ENE's downgrade alleging that the downgrade constituted a "triggering event" as the term is defined in the agreement thereby allowing Domcan to terminate the agreement. On January 18, 2002, Domcan filed suit seeking to recover $1.1 million for gas delivered by Domcan to Enron Canada. Domcan also seeks a declaration that Domcan properly terminated the Agreement. Enron Canada filed a counterclaim seeking setoff and recovery of mark-to-market losses of $15.9 million.

(J) Marathon Canada Limited v. Enron Canada Corp. (No. 0201-02692, Queen's Bench of Alberta, Judicial District of Calgary). On January 30, 1995, Tarragon Oil and Gas Ltd., predecessor to Marathon, and Enron Canada entered into a firm gas purchase and sale agreement. Marathon alleges a triggering event occurred when ENE's credit rating was downgraded. Marathon gave Enron Canada notice that it was terminating the agreement. On May 8, 2002, Marathon Canada Limited, successor to Tarragon, filed a suit against Enron Canada to recover amounts owed for gas deliveries. Marathon seeks judgment in the amount of CDN $560,000 plus interest and a declaration that it validly terminated the Agreement. In its counterclaim, Enron Canada alleges that Marathon failed to deliver gas and this breach gave Enron Canada the right to terminate the agreement. Enron Canada seeks its mark-to-market CDN $77.5 million and setoff.

(K) Murphy Oil Co., Ltd. v. Enron Canada Corp. (0201-0379, Queen's Bench of Alberta, Judicial District of Calgary). Murphy Oil Company Ltd.

entered into a master firm gas purchase agreement with Enron Gas Marketing, Inc. on September 1, 1992, that was subsequently assigned to Enron Canada. Murphy terminated the agreement as a result of ENE's credit rating downgrade. In its suit Murphy claims $1.6 million for gas delivered to Enron Canada. In its counterclaim, Enron Canada alleges Murphy wrongfully repudiated the agreement and seeks setoff of all amounts owed by Enron Canada to Murphy, should setoff be allowed in a related lawsuit between Enron Canada and Murphy Canada Exploration Co. In the Murphy Canada Exploration litigation, Murphy Canada Exploration Company entered into a master firm gas purchase/sale agreement with Enron Canada on July 11, 1995. MCE terminated the agreement in December 2001 based on ENE's credit rating downgrade, and in turn, Enron Canada terminated the agreement on the grounds that MCE wrongfully repudiated the agreement. MCE has filed suit, seeking receivables of over CDN $200,000 and $800,000. In its counterclaim, Enron Canada seeks setoff and recovery of mark-to-market losses of approximately CDN $30 million.

(L) Reliant Energy Services, Inc., et al. v. Enron Canada Corp. (No. 02-706, U.S. District Court, Southern District of Texas, Houston, Division; App. No. 02-20447, U.S. Court of Appeals, Fifth Circuit). In March 2002, Reliant sued Enron Canada in the United States District Court for the Southern District of Texas seeking to recover approximately $78 million that Reliant claimed was due under a Master Netting Agreement entered into by Reliant affiliates, on the one hand, and Enron Canada on the other. Reliant also sought injunctive relief requiring Enron Canada to deposit $78 million in the registry of the court pending disposition of the suit. After an emergency hearing in March 2002, the court denied Reliant's request for injunctive relief and granted Enron Canada's motion to dismiss the case in its entirety. The case is currently on appeal to the Fifth Circuit Court of Appeals, and was argued in March 2003.

(M) Talisman Energy, Inc. v. Enron Canada Corp. and Enron Canada Corp., counterplaintiff v. Talisman Energy, Inc., counterdefendant (No. 0201-02606, Queen's Bench of Alberta, Judicial District of Calgary). In February 2002, Talisman filed suit to recover $2 million allegedly owed for gas delivered to Enron Canada pursuant to a one-way master firm gas purchase/sale agreement between the parties. Enron Canada has filed a counterclaim alleging that Talisman failed to deliver gas pursuant to the terms of the agreement constituting a triggering event that allowed Enron Canada to terminate the agreement. Enron Canada seeks an order from the court directing that a setoff be applied and seeks recovery of mark-to-market damages of over $45 million; and *Talisman Energy, Inc. v. Enron Canada Corp. and Enron Canada Corp., counterplaintiff v. Talisman Energy, Inc., counterdefendant*. In January 1999, EEC and Talisman entered into a two-way ISDA agreement. Talisman filed suit in February 2002 alleging that various "triggering events," as the term is defined in the agreement, occurred thereby giving it the right to terminate the agreement. Talisman seeks damages in the amount of $5 million plus interest. Enron Canada has filed a counterclaim seeking setoff of the amount due in the related action, which is in the amount of $45.2 million.

d. Litigation Related to Structures

(i) JPMorgan Chase Bank, as Administrative Agent and as Collateral Agent for Cherokee Finance V.O.F. and Enron Finance Partners, L.L.C., and as

Attorney in Fact for Sequoia Financial Assets, L.L.C. v. Enron Corp., Enron North America Corp. and Enron Power Marketing, Inc. (Adv. No. 01-03637, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On December 11, 2001, JPMCB filed this adversary proceeding seeking (1) turnover from ENE, ENA, and EPMI of accounts receivable, commercial paper, cash, and other property worth in excess of $2.1 billion, (2) an accounting of these assets, and (3) an injunction to prevent the Enron defendants' use of such assets. JPMCB claims that the assets are being held by ENE, but are owned by Sequoia, Cherokee, and EFP pursuant to two separate accounts receivable acquisition transactions involving the Enron defendants, whereby the Enron defendants sold the receivables, but whereby ENE acted as servicer to handle accounting, billing, collection, cash management, and reporting of the receivables. JPMCB alleges that the Enron defendants and their estates hold the assets merely as servicer and that they transferred title to the assets to Sequoia, Cherokee, and EFP prior to the Petition Date; therefore they are not assets of the bankruptcy estate. JPMCB and the Enron defendants have entered into a series of stipulations to extend the Enron defendants' answer date to October 21, 2003.

(ii) The Bank of New York, as Indenture Trustee of and Attorney-in-Fact for Marlin Water Trust, HSBC Trinkaus & Burkhardt KgaA, D.E. Shaw Laminar Portfolios, L.L.C., Appaloosa Management, L.P., OZ Management, L.L.C., and OZF Management, L.P. v. Enron Corp., et al. and The Official Committee of Unsecured Creditors of Enron Corp., et al. (Adv. No. 02-02380, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On May 9, 2002, The Bank of New York, as Indenture Trustee under the Marlin Supplemental Indenture, along with several holders of Marlin II Notes, commenced an adversary proceeding seeking a declaratory judgment that £73 million of proceeds from the prepayment of the Azurix Europe Deed on December 5, 2001 could be distributed, pro rata, to the holders of the Marlin notes. The basis of the noteholders' claims is that the proceeds of the Azurix Europe Deed are not property of ENE's estate and should be distributed, pro rata, to the noteholders in satisfaction of the alleged security obligation made on the Marlin notes. After the Bankruptcy Court denied the defendants' motion to stay, the defendants filed their answers on November 18, 2002. The Creditors' Committee and ENE have pleaded that the operative documents do not result in a pledge of the proceeds to the noteholders in connection with the Marlin II transaction, but instead only with respect to the Marlin I Notes, through the date of their repayment. The Bankruptcy Court issued summary judgment in favor of the noteholders, and on June 9, 2003, the Creditors' Committee filed a notice of appeal and an emergency motion to stay the order granting the summary judgment. The matter has been settled, and the adversary proceeding was dismissed with prejudice on August 12, 2003. Refer to Section III.F.36.f., "Structure Resolution" for information relating to settlement of this litigation.

e. Regulatory Related Litigation.

(i) FERC Litigation. FERC has instituted several investigations, some of which have resulted in FERC enforcement actions, as well as other material litigation involving FERC, which is described below. Refer to Section IV.C.2.b., "FERC Investigations" for further information.

(A) FERC Enforcement Actions. FERC identified specific instances in which EPMI, ECTRIC, and PGE may have engaged in possible misconduct under the FPA. As a result, on August 13, 2002 FERC initiated five separate investigations into possible violations by the aforementioned companies and others.

(1) **Avista Corp., Docket No. EL02-115-000**. This FERC proceeding involves allegations of improper trades among EPMI, PGE, Avista Corporation and Avista Energy, Inc.. The parties have reached a contested settlement, which is pending before FERC. The contested settlement would not impose penalties upon any Enron entity. If the settlement is approved, the case will conclude and the Enron entities will have no liability.

(2) **El Paso Elec. Co., Docket No. EL02-113-000**. This FERC proceeding involves an investigation and hearing into whether EPMI and ECTRIC may have violated the terms of their market-based rate authority by entering into a relationship with El Paso Electric Company without fully informing FERC. In this action, FERC seeks disgorgement of estimated EPMI profits of $32.5 million. Briefs on exceptions to FERC have been filed by the State of California and PG&E. Both parties are asking for disgorgement of $2.97 billion. EPMI's response is due on September 3, 2003.

(3) **Portland General Elec. Co., Docket Nos. EL02-114-000, EL02-115-001**. This FERC proceeding involves issues surrounding the relationship between EPMI and PGE, and it is set for hearing in October 2003. In this action, FERC seeks disgorgement of an estimated $40 million in EPMI profits. Refer to Section VIII.C.14., "FERC Investigation of Trading Activities" for further information regarding PGE Litigation and Government Investigation.

(4) **American Electric Power Services Corp., et al., Docket Nos. EL03-137-000, et al.,**. On June 25, 2003, FERC issued an order alleging market manipulation by EPMI, EESI, PGE, and 48 other companies. On July 25, 2003, EESI and EPMI filed a request for rehearing of the June 25 order. On July 17, 2003, the ISO provided data to EPMI, EESI, PGE and other parties regarding activity in California. On August 27, 2003, PGE and FERC trial staff filed a settlement with the Administrative Law Judge and requested certification of the settlement to the FERC. The remaining Enron entities filed their response on September 2, 2003. A procedural schedule is to be released in early November 2003, and testimony is due in early March 2004. A hearing is to be held in mid-March 2004. With regard to EPMI's and EESI's request for rehearing, FERC has extended the time in which it may act on petitions for rehearing, and there is no date upon which FERC is required to act. FERC may seek disgorgement of profits for sales made during the period from January 2000 to October 1, 2000.

(5) **Enron Power Marketing, Inc. and Enron Energy Services, Inc., et al., Docket No. EL03-180-000**. Also on June 25, 2003, FERC issued an order alleging that EPMI and EESI "worked in concert" with others to violate the ISO tariff, and that the 24 named companies (including EPMI and EESI) failed to notify FERC of various relationships, in violation of market rate certificates. This proceeding will cover the period from January 1, 2000 through June 20, 2001, and may be in addition to any refunds that may be ordered by FERC from October 2, 2000 forward. EPMI and EESI filed their responses to FERC's allegations on September 2, 2003. On July 25, 2003, EPMI and EESI filed a request for

rehearing of FERC's June 25 order. With regard to EPMI's and EESI's request for rehearing, FERC has extended the time in which it may act on petitions for rehearing, and there is no date upon which FERC is required to act. A pre-hearing conference has been scheduled for September 16, 2003.

(B) Qualifying – Facility Action.

(1) Cabazon Power Partners, L.L.C., et al. v. Southern California Edison Company (No. BC249688, Superior Court, Los Angeles County-Central District, California). Cabazon Power, a wholly owned subsidiary of Wind, and other power project companies owned or managed by Wind, sued Southern California Edison for non-payment of approximately $10 million owed to them for electrical energy generated by the companies during the period November 2000 through March 2001 and delivered to Southern California Edison under various PPAs. The parties entered into a standstill agreement for the period ending June 2002, pending a proposed settlement. Settlement negotiations were unsuccessful. A status conference was held on October 3, 2002 setting a trial date of April 30, 2003. This matter will be settled in connection with the proposed qualified facilities settlement that has been approved by the Bankruptcy Court and the California PUC. After the qualified facilities settlement is approved by FERC, the trial court will enter a dismissal order.

(C) Other FERC Actions.

(1) San Diego Gas & Electric v. Sellers of Energy and Ancillary services et al., including EPMI and EES, as well as PGE, Docket No. EL00-95 et seq., (California Electricity Refund Proceeding). Refer to Section VIII.C.11., "California Electricity Refund Proceeding" for further information. California Utilities filed a complaint with FERC seeking refunds for wholesale electricity prices in California's single auction spot markets that the California Utilities allege were unjust and unreasonable. The California Utilities have been joined by various California State Agencies and the California Attorney General. They seek in excess of $9 billion in refunds from all market participants. Under the FPA, the refund period is limited to October 2, 2000 through June 20, 2001. The matter was tried before an administrative law judge during 2001 and 2002 and recommendations were made to FERC as to the methodology for calculating refunds. FERC is still considering the final refund formula to be used. In addition, as a result of 100 days of discovery ordered by FERC into allegations of market manipulation, the California parties are seeking to extend the refund period back to May 2000 and increase the scope of transactions for which refunds will be ordered. The California parties have also made allegations of improper conduct against EPMI and EES that they allege must be taken into account in determining refund liability as well as other sanctions. Until FERC determines the final formula to be used for calculating refunds, it is not possible to estimate EPMI's and EES's potential refund liability. Moreover, since the Enron entities were both purchasers and sellers, to the extent that EPMI and EES are owed refunds, those amounts could offset any refund liability assessed against the Enron entities. The Enron entities may not know the amount assessed against them for refund liability until the fourth quarter of 2003 or first quarter of 2004. The Enron entities have posted with the PX substantial prepetition cash collateral (approximately $135.6 million) that FERC has ordered be held pending resolution of the refund hearing. In addition, the Automated Power Exchange is holding approximately $2 million in prepetition cash collateral pending final resolution of refund liability. EPMI and EES may have the opportunity to prove at the end of the refund case that if they are ordered to pay refunds, their cost of acquiring the energy warrants a reduction in refund liability.

(2) Puget Sound Energy Inc. v. All Jurisdictional Settlers of Energy et al., including EPMI, as well as PGE. Docket No. EL01-10 et seq., (Pacific Northwest Refund Proceeding). Certain Pacific Northwest Utilities alleged that they had been charged unjust and unreasonable prices for wholesale electricity they purchased in the wholesale electricity market for the Pacific Northwest. ENE's total transactions in this market during the refund period from December 25, 2000 to June 20, 2001 exceeded $3 billion. This matter was tried in September 2001. In December 2001, an administrative law judge recommended that no refunds be awarded because she determined a competitive market was operating. FERC reopened the record to allow additional discovery into allegations of market manipulation during 2002 and 2003. On June 2, 2003, FERC heard oral argument on the question of whether to reopen the record or adopt the administrative law judge's recommendation. On June 26, 2003, FERC issued an order affirming the administrative law judge's recommendation that no refund be awarded. Requests for rehearing have been filed. If FERC does not reverse its prior decision, the parties will have an opportunity to appeal FERC's decision to the federal court of appeals.

(3) Nevada Power Company & Sierra Pacific Power Company v. Enron Power Marketing, Inc. (No. EL 02-28-000, Federal Energy Regulatory Commission). In 2001, NPC entered several large long-term electricity contracts with EPMI. NPC filed a complaint with FERC requesting that the cost of energy in the parties' contract be mitigated because of EPMI's alleged manipulation of the electricity markets in the western United States. The value of the NPC contract to EPMI is approximately $300 million. In December 2002, the FERC administrative law judge issued a decision that NPC and SPPC failed to prove that the contracts were unfair and should be set aside. On June 26, 2003, FERC issued an order confirming the administrative law judge's initial decision and dismissing the complaints.

(4) Enron Power Marketing, Inc. v. California Power Exchange Corporation (No. 01-00901-CM, U.S. District Court, Central District of California), In re California Power Exchange Corporation (No. LA-01-16577-ES, U.S. Bankruptcy Court; Central District of California, Los Angeles Division), and Coral Power, L.L.C., Enron Power Marketing, Inc., et al. v. California Power Exchange Corporation (Docket Nos. EL01-36-000, EL-01-37-000, EL01-43-000, EL01-29-000, and EL01-33-000, Federal Energy Regulatory Commission). On January 31, 2001, the PX drew down on $140 million of EPMI's collateral as a result of EPMI's alleged breach of the PX tariff. EPMI filed suit in federal district court in Los Angeles requesting that the court: (1) grant a temporary injunction placing all EPMI's collateral in escrow pending resolution of the PX breach of tariff claim and (2) enjoin any assessment of "charge backs" until the issue can be resolved at FERC. On February 9, 2001, the district court granted EPMI's request for a temporary restraining order. EPMI and the PX have now entered into a stipulated injunction granting all of EPMI's requested relief. EPMI also filed a FERC action requesting that FERC interpret the PX charge-back provisions of the PX tariff. FERC issued a ruling that the PX charge-back methodology was unjust and unreasonable. Notwithstanding FERC's ruling, the PX refuses to refund the collateral. EPMI filed a request for clarification of FERC's previous order. FERC has ruled that the PX can retain the $140 million pending the outcome of the California refund case. In July 2002, the PX, Coral Power, and Constellation Power Source filed notices of appeal in the Ninth Circuit Court of Appeals requesting that the court address the justness and reasonableness of the wholesale electricity rates of public utility sellers of ancillary services in spot markets operated by the ISO and PX.

(5) Challenge of the California Attorney General to Market-Based Rates. On March 20, 2002, the California Attorney General filed a complaint with FERC against various sellers in the wholesale power market, including PGE and EPMI, alleging that FERC's market-based rates violate the FPA, and, even if market-based rate requirements are valid, that the quarterly transaction reports filed by sellers do not contain the transaction-specific information mandated by the FPA and FERC. The complaint argued that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including PGE and EPMI, to refile their quarterly reports to include transaction-specific data. The California Attorney General has appealed FERC's decision to the Ninth Circuit Court of Appeals.

(ii) State Regulatory Litigation

(A) Enron Energy Services, Inc. and Enron Energy Marketing Corp. v. Pacific Gas & Electric Co. (No. 01-01-032, Public Utility Commission, State of California). EESI and EEMC have filed a claim with the California PUC against PG&E for $400 million for unpaid power exchange credits owed by PG&E as a result of rising energy prices during the 2001 California energy crisis. The case is currently stayed because of ongoing settlement discussions between the parties. PG&E has filed a counterclaim based on EPMI's alleged manipulation of the energy market.

(B) California Independent System Operator. EPMI has notified the ISO that during both prepetition and postpetition periods one of its contractors that read retail and commercial meters made an error that resulted in EPMI under-reporting the amount of electrical energy consumed by its customers. EPMI has some postpetition collateral posted with ISO that may or may not pay for the shortfall as a result of the meter reading errors. In order to resolve the problem, EPMI and its vendor are in the process of providing corrected meter data which may take several months. Thereafter, the ISO will have to resettle each day for the California market to determine what additional amounts, if any, are owed by EPMI. This recalculation could take a significant period of time. Until the corrected data has been provided to the ISO and they have resettled their markets, it is not possible to reliably estimate the total amount of under reporting liability.

(iii) CFTC

(A) United States Commodity Futures Trading Commission v. Enron Corp. and Hunter Shivley (No. 03--909, U.S. District Court, Southern District of Texas, Houston Division). On March 12, 2003, the CFTC filed this action in the United States

District Court for the Southern District of Texas alleging that in July 2001, ENE and Shivley, an ENE employee with supervisory responsibilities over the central desk of the Enron Companies' natural gas trading operations, engaged in a scheme to manipulate the price of natural gas in the Henry Hub next-day gas spot market trading on EnronOnline®. The complaint alleges that these actions directly and adversely affected the NYMEX August 2001 natural gas futures contract by causing the Henry Hub prices to become artificial. The CFTC further alleges that from September 2001 through December 2001, EnronOnline® was operated as an illegal, unregistered futures exchange under the Commodity Exchange Act. The CFTC also alleges that from December 2000 through December 2001, ENE further violated the Commodity Exchange Act by offering to trade a lumber swaps contract that was actually an illegal, agricultural commodity futures contract. The CFTC seeks injunctive relief and recovery of unspecified civil monetary penalties in amounts not to exceed $120,000 or triple the monetary gain to ENE and Shivley for each violation of the Commodity Exchange Act. ENE has received an extension of time to file its answer until September 18, 2003. On April 10, 2003 Shivley filed a motion to dismiss the price manipulation claim on the grounds that the CFTC has failed to state a claim upon which relief can be granted. On May 5, 2003, the CFTC filed a memorandum opposing Shivley's motion to dismiss.

f. Other Material Litigation

(i) Lawsuits related to Bridgeline

(A) Bridgeline Holdings, L.P. Bridgeline Storage Company, LLC and Bridgeline Gas Distribution, LLC v. Enron North America Corp. (Adv. No. 02-02628, U.S. Bankruptcy Court, Southern District of New York, Manhattan Divisior). Bridgeline instituted this adversary proceeding on July 16, 2002 seeking a determination that (a) Bridgeline Storage has a warehouseman's lien under Article 7 of the Louisiana Uniform Commercial Code on natural gas stored by ENA in Bridgeline Storage's facilities to secure the payment of storage charges allegedly owed by ENA under a NGPA Section 311 Firm Gas Storage Agreement, and (b) Bridgeline Distribution has a carrier's lien on ENA's natural gas transported on Bridgeline Distribution's pipeline to secure payment of reservation charges allegedly due under a Firm Gas Transportation Agreement. ENA moved to dismiss Bridgeline's complaint or, in the alternative, for summary judgment, on the grounds that Bridgeline did not satisfy the requirements for a warehouseman's lien or a carrier's lien. The motion has been fully submitted and argued, and the Bankruptcy Court has taken the matter under advisement.

(B) Louisiana Resources Co. et al. v. Texaco Exploration & Production, Inc. (Adv. No. 03-3818, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). LRC, LRCI, LGMC, and LGMI have sued TEPI alleging causes of action for breach of contract, breach of the covenant of good faith and fair dealing, breach of fiduciary duty and injunctive relief in relation to the Amended and Restated Limited Liability Company Agreement of Bridgeline L.L.C. entered into by the parties. Specifically, LRC alleges that TEPI secretly collaborated with Bridgeline to develop a common strategy to strip ENA of its membership interest in the Bridgeline L.L.C. and to otherwise act to the detriment of ENA and the Enron limited partners. LRC further alleges that this collaboration is part of TEPI's strategy to interfere with the potential sale of partnership interests held by ENA and the Enron limited partners. LRC seeks recovery of unspecified damages and entry of an order enjoining TEPI from continuing to engage in the wrongful conduct. On June 26, 2003, the Bankruptcy Court granted LRC's motion to consolidate this adversary action with the adversary action styled *Texaco Exploration & Production Co. v. ENA*, Adv. No. 02-3079, filed on September 6, 2002. TEPI filed its answer on July 16, 2003.

(C) Texaco Exploration and Production Inc. v. Enron North America Corp. (Adv. No. 02-03079, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). TEPI and ENA are members of Bridgeline, L.L.C., which serves as the general partner of Bridgeline Holdings. Bridgeline Holdings owns and operates an intrastate natural gas pipeline and two natural gas storage facilities in Louisiana. TEPI instituted this adversary proceeding on September 6, 2002 seeking a declaratory judgment that (i) upon ENA's bankruptcy filing, ENA ceased to be member of Bridgeline, L.L.C. pursuant to the provisions of the Delaware Limited Liability Company Act and (ii) ENA is prohibited from assigning its interest in Bridgeline, L.L.C. to any successor, affiliate or third party pursuant to Delaware law and section 365(c)(1) of the Bankruptcy Code. TEPI also seeks an injunction restraining ENA from interfering with the management of Bridgeline, L.L.C. or Bridgeline Holdings on the grounds that TEPI is the sole remaining member of Bridgeline, LLC and therefore has the exclusive right to make decisions on behalf of Bridgeline Holdings and Bridgeline, L.L.C. ENA is vigorously defending against this adversary proceeding on the grounds that, under the applicable provisions of the Bankruptcy Code, ENA maintains its membership interest in Bridgeline, L.L.C. and may assign its interest to a third party, notwithstanding any contrary state law. On May 27, 2003, TEPI filed a motion for summary judgment, and on May 28, 2003, and ENA filed its response on June 20, 2003. ENA filed its counterclaim on July 3, 2003. Texaco filed its answer to the counterclaim on July 16, 2003.

(ii) Lawsuits related to NEPCO

(A) Letter of Credit Litigation

(1) JP Morgan Chase Bank v. Enron Corp. (Adv. Nos. 02-03895 & 02-03896, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On or about June 16, 1995, ENE entered into a Master Letter of Credit and Reimbursement Agreement with The Chase Manhattan Bank, N.A., as predecessor in interest to JPMCB. Pursuant to the agreement, JPMCB issued letters of credit for various entities that had entered into contracts with NEPCO for the construction of power plants. These letters of credit named the various entities as the beneficiaries. In accordance with the construction contracts entered into with NEPCO, the various entities made periodic payments to NEPCO, and those funds were transferred in the ordinary course by NEPCO to ENE's master concentration account in accordance with the Debtors' normal and customary cash management practices. ENE did not make any payments to NEPCO's vendors and subcontractors on the various projects; the various entities subsequently drew on the letters of credit to make those payments. JPMCB commenced two adversary proceedings in the Bankruptcy Court in late December 2002 to recover from ENE up to approximately $184 million in funds that it alleges had been paid by the various entities to NEPCO and thereafter wrongfully transferred into ENE's concentration account. JPMCB asserted several causes of action, all of which are predicated on the claim that those funds should be impressed with a constructive trust in favor of JPMCB. The Debtors filed answers to the adversary proceedings denying all claims, and the actions are presently in the pretrial discovery phase. JPMorgan Chase has also filed two adversaries, JP Morgan Chase Bank v. Green Country Energy, LLC, et al. (Adv. No. 03-8151) and JP Morgan Chase Bank v. Quachita Power, LLC, et al. (Adv. No. 03-8150) against certain project owners to recover monies paid pursuant to letters of credit issued under the master letter of credit and reimbursement between JPMCB's predecessor and ENE. On May 23, 2003, Quachita and Cogentrix filed motions to dismiss the adversary proceeding. On July 11, 2003, JPMCB filed its response to the motions to dismiss.

(2) JPMorgan Chase Bank v. Enron Equipment Procurement Company (No. 02-CV 10233, U.S. District Court, Southern District of New York, Manhattan Division). JPMCB seeks a judgment against EEPC for $14 million, the amount JPMCB claims to have paid on a letter of credit issued to guarantee the performance of NEPCO, the contractor on a project to build a power plant for a company known as Green Country. EEPC filed an answer, and discovery is proceeding.

(3) Westdeutsche Landesbank Girozentrale v. Enron Corp. (Adv. No. 02-02009, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). This adversary proceeding, filed on January 8, 2002, seeks turnover by ENE of $20 million, a full and complete accounting of these funds, and an injunction against ENE from the use of such funds. Having made payment under a letter of credit, West LB claims subrogation to the rights of NEPCO, NEPCO Power Procurement, and their subcontractors and suppliers in the funds, and alleges that it has an immediate right to possession of those funds. ENE filed its answer in August 2002.

(4) Westdeutsche Landesbank v. Enron Corp. (Quachita Project) (Adv. No. 02-02555, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On June 20, 2002, West LB filed an adversary proceeding against ENE seeking turnover of approximately $16 million. This adversary is substantially similar to an earlier adversary filed by West LB (Refer to Section IV.C.1.f(ii)(A)(3), "Westdeutsche Landesbank Girozentrale v. Enron Corp. (Adv. No. 02-02009, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division)" for further information). The claims in both relate to letters of credit issued by West LB for the benefit of the owners of power plant projects that were being constructed by NEPCO. Upon placement of the letters of credit, the project owners released the 10% retainages that they had been holding on the respective projects to NEPCO, and those funds were swept into an ENE account in the ordinary course of ENE's cash management system. The letters of credit were drawn down after the Initial Petition Date, and West LB seeks recoupment of those funds. ENE filed its answer in August 2002.

(5) Westdeutsche Landesbank Girozentrale v. National Energy Production Corporation and NEPCO Power Procurement Company (No. 02-0108, U.S. District Court, Southern District of New York, Manhattan Division). Issuing banks for a $20 million ENE letter of credit issued for a NEPCO project in Mississippi have asserted a cause of action in district court for breach of contract, subrogation, and various tort claims against NEPCO and NEPCO Power Procurement. A notice of bankruptcy was filed in June 2002 staying the action.

(6) Bayerische Hypo-Vereinsbank Ag. v. Banca Nazionale del Lavoro S.p.A and Banca Nazionale del Lavoro S.p.A (third party plaintiff) v. Bank of America, N.A., et al. (including NEPCO and NEPCO Procurement Co.) (Adv. No. 02-02614, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). Banca Nazionale, as third-party plaintiff, seeks a determination of the rights of multiple parties involved in a $39 million letter of credit transaction involving ENE, NEPCO, and NEPCO Power Procurement plus recovery of the $39 million. Bayerische has filed a motion for summary judgment. BoA and two other defendants have filed motions to dismiss the third-party complaint in its entirety as to these entities. BoA has also filed a motion to dismiss the adversary proceeding. On May 16, 2003, the Bankruptcy Court issued a memorandum opinion granting summary judgment in favor of Bayerische against Banca Nazionale. On May 22, 2003, the Bankruptcy Court ordered that NEPCO and NEPCO Power Procurement were proper parties to the litigation. On June 10, 2003, the Bankruptcy Court entered an order granting Bayerische's motion for summary judgment. On June 27, 2003, Banca Nazionale filed its notice of appeal.

(B) Other NEPCO-Related Litigation

(1) TPS Dell, L.L.C., TPS McAdams, L.L.C., Panda Gila River, L.P. & Union Power Partners, L.P. v. Enron Corp., National Energy Production Corp. & NEPCO Power Procurement Co. (Adv. No. 03-02108, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On February 13, 2003, the plaintiffs filed this action alleging that they advanced approximately $351.8 million to NEPCO for the purpose of paying subcontractors and suppliers on four NEPCO projects (Dell, McAdams, Gila River, and Union River) and that these funds were transferred out of NEPCO into ENE's cash management system without their consent. TPS Dell further alleges that the ENE entities have used the cash management system to sweep the money held by NEPCO and to refuse to honor NEPCO's obligations. They also seek an injunction prohibiting ENE from using the swept project funds and an order requiring the ENE entities to provide each plaintiff with a complete accounting. ENE filed its answer on April 11, 2003. The NEPCO entities filed their answer on April 23, 2003.

(2) Goldendale Energy L.L.C. v. NEPCO (Self–administered Arbitration). Following a termination for convenience, Goldendale Energy L.L.C. exercised its contractual right to audit NEPCO to determine the actual cost contract reconciliation. Due to NEPCO's cash forward position at the time that the termination occurred, the audit indicated that Goldendale had overpaid some $45 million. NEPCO's records indicate that Goldendale is due approximately $20 million. The contractually required arbitration was stayed after NEPCO's bankruptcy filing in May 2002.

(3) Stoner Electric, Inc., et al. v. National Energy Production Corporation, et al. (No. 02-2-00059-8, Superior Court, Kickitat County Washington). In late November 2001, Goldendale Energy L.L.C. terminated NEPCO on a project in Washington. ENE's subsequent bankruptcy cut off NEPCO's ability to pay approximately 65 project subcontractors and suppliers including Stoner. Claims total in excess of $11 million. The action was stayed as to NEPCO by NEPCO's bankruptcy filing. The matter is proceeding in Klickitat County Superior Court and the Washington State Court of Appeals as a lien foreclosure action. Motions for summary judgment by lien claimants are pending.

(iii) Adversary Proceedings

(A) Mizuho Corporate Bank, Ltd., as successor to the Industrial Bank of Japan, Limited and Banco Bilbao Vizcaya Argentaria S.A. v. Enron Corp. Hansen Investments Co. and Compagnie Papiers Stadacona (Adv. No. 03-2288, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). Mizuho and its predecessor in interest and Banco Bilbao were part of a bank group that entered into a series of loan transactions with ENE and two of its Canadian entities, Hansen and CPS, in June 2001 relating to the purchase of the Stadacona paper mill. In this adversary proceeding, filed on March 28, 2003, Mizuho and Banco Bilbao allege that they relied upon fraudulent misstatements contained in ENE's financial statements in agreeing to provisions in the transaction documents, which provided that the banks would look solely to ENE in an event of default and in agreeing to waive any rights they may acquire through the exercise of any potential remedies against Hansen to proceed against CPS. Mizuho and Banco Bilbao seek imposition of a constructive trust and recovery of approximately $360 million. On April 2, 2003, Mizuho and Banco Bilbao filed a motion for preliminary injunction or in the alternative, an order prohibiting use of cash collateral and directing the Debtors to segregate and account for the cash. In order to facilitate the sale of assets related to these transactions, ENE negotiated a stipulation whereby Mizuho and Banco Bilao would release all claims against the assets in exchange for the transfer of those claims to the proceeds generated by the sale of those assets. On May 15, 2003, the court entered a stipulation resolving the motion for preliminary injunction whereby Mizuho and Banco Bilbao agree to waive any claims and liens asserted against Stadacona and its assets in return for ENE's agreement to segregate approximately $99 million of any proceeds generated by the sale of Stadacona and to allow the banks to assert claims and liens against the segregated funds. On June 16, 2003, ENE filed a motion to dismiss the adversary proceeding. On August 20, 2003, Mizuho filed its opposition to the defendants' motion to dismiss. The defendants' filed their reply on August 29, 2003.

(B) Ponderosa Pine Energy, LLC, et al. v. Enron Corp., et al. (Adv. No. 02-02826, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division) and Brazos Electric Power Cooperative, Inc. v. Ponderosa Pine Energy, L.L.C. et al. (including ECT Merchant Investment Corp. and KUCC Cleberne, L.L.C.) (No. C-2002-00267, 249th Judicial District Court, Johnson County, Texas). PPE and its affiliates are seeking, through an adversary complaint filed July 24, 2002, a declaration that if they are found liable in the related Johnson County action, they are entitled to indemnification from ENE and ENA in an amount equal to the judgment. The parties to the declaratory judgment action have continued to adjourn the adversary proceeding while they negotiate a proposed commercial settlement involving, among other issues, the indemnification obligation. ENE and ENA have not, therefore, filed a responsive pleading.

The Johnson County litigation, filed in June 2002, involves multiple power generation companies and lending institutions, including ECTMI and KUCC Cleburne, which are being sued by BEPC for tortious interference and conspiracy relating to BEPC's negotiations to purchase an electricity generating plant in Cleburne, Texas from Tenaska Power Partners. On June 15, 2000, ENA entered into a purchase agreement with Tenaska Energy, Inc. and others to purchase certain rights in the partnership that owns the plant, and subsequently, on June 30, 2000, ENA and PPE entered into an Assignment of Purchase Agreement whereby ENA assigned all its rights, title, and interest in the partnership to PPE. In the assignment, PPE assumed all of ENA's obligations under the purchase agreement and ENA was released from liability except for a limited indemnification obligation, which is the subject of the PPE adversary proceeding described above. ENE guaranteed ENA's indemnification obligations. Damages are unspecified. ECTMI and its subsidiary KUCC Cleburne, which owns a 10% sole limited partnership interest in the limited partnership that owns the generating plant, are Debtors, and ECTMI and KUCC Cleburne were non-suited without prejudice because of their respective bankruptcy filings.

(C) Enron Broadband Services, L.P. v. Travelers Casualty and Surety Company of America (Adv. No. 02-3459, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On November 8, 2002, EBS LP commenced an adversary proceeding against Travelers seeking recovery of $15.9 million pursuant to a capacity service agreement and an advance payment performance bond issued by Travelers. Travelers has answered in the adversary proceeding and asserted, among other things, that it was fraudulently induced into issuing a surety bond. EBS LP filed a motion for summary judgment on January 13, 2003, and that motion was argued before the Bankruptcy Court. On May 20, 2003, the Bankruptcy Court entered an order denying EBS LP's motion for summary judgment.

(D) Schoonover Electric Co. v. Garden State Paper Co., L.L.C. (Adv. No. 02-02140, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). Schoonover filed this adversary proceeding on March 7, 2002, seeking a determination of the extent, validity, priority, and amount of three construction liens filed against real property owned by Garden State in Garfield, Bergen County, New Jersey. On October 24, 2002, Schoonover filed a motion for summary judgment. On June 23, 2003, the Bankruptcy Court entered a memorandum decision denying Schoonover's motion for summary judgment, dismissing the adversary proceeding, and holding that the Schoonover liens are and shall be unenforceable against the Debtors' estates.

(E) Enron North America Corp. and Enron Industrial Markets, L.L.C. v. Robert Richard, Craig Rickard, Andrew Conner and Pulp & Paper Risk Management Consulting, L.P. (Adv. No. 03-02402, U. S. Bankruptcy Court, Southern District of New York, Manhattan Division). On April 16, 2003, ENA and EIM filed this adversary proceeding seeking unspecified monetary damages against Pulp & Paper and several of its employees for breach of various confidentiality agreements between the parties. ENA and EIM allege that the confidential information wrongfully disclosed included information relating to the plaintiffs' pricing strategies in the forest products trading industry and its postpetition strategy for maximizing forward value recovery of terminated forest products contracts.

(F) San Juan Gas Co., Inc. v. Bonneville Construction, S.E. (Adv. No. 03-3633, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). San Juan Gas seeks an accounting of and turnover of fiber optic cable and other inventory in Bonneville's possession and control provided to Bonneville by San Juan Gas pursuant to the terms of a capital construction agreement entered into by the parties in October 2001. San Juan Gas also seeks recovery of costs and attorneys' fees.

(G) American Express Bank Ltd. v. Enron Corp. (Adv. No. 03-02456, U.S. Bankruptcy Court, Southern District of New York, Manhattan Division). On April 25, 2003, AEB filed this declaratory judgment action against ENE. In June 1999, AEB and ENE entered into a master letter of credit and reimbursement agreement. In January 2001, AEB issued a standby letter of credit to ESBI Alberta Ltd. on behalf of ENE's subsidiary ECPC. The adversary complaint seeks a declaration that AEB's issuance of the March 2002 standby letter of credit entitled AEB to be subrogated to the rights of ENE in the funds drawn from the letter of credit. Upon agreement of the parties, ENE's answer to the adversary complaint was filed on June 18, 2003.

(iv) International Litigation Retained by the Estates

(A) Azurix Corp. v. The Republic of Argentina (International Centre for the Settlement of Investment Disputes). Azurix has filed an international arbitration claim for breach of contract under the Bilateral Investment Treaty between the U.S. and Argentina, against the Republic of Argentina. Azurix's pending claim against Argentina relates to the Azurix/Buenos Aires Concession Contract. EBWH, a wholly owned non-Debtor subsidiary of ENE, owns 33-1/3% of the voting shares of Azurix. Atlantic owns the remaining 66-2/3% of the voting shares of Azurix. ENE holds a 50% voting interest in Atlantic, as well as 100% of the cumulative preferred stock issued by Azurix. The remaining 50% voting interest in Atlantic is held by Marlin.

(B) Catlin Westgen Ltd. and Certain Underwriters at Lloyd's Subscribing to Policy No. 901/70028583 v. EcoElectrica L.P. (No. 02-4097, U.S. District Court, Southern District of Texas, Houston Division) Catlin, a Lloyd's Underwriters syndicate, has filed suit for declaratory judgment against EcoElectrica relating to a $15 million insurance claim claiming no coverage for property damage or business interruption as a result of the malfunction of a Siemens turbo-generator. The parties have agreed to mediation, and the case is stayed pending the parties' attempt at alternative dispute resolution. This case arises out of the same occurrence as *EcoElectrica v. American International Insurance & Houston Casualty Ins. Co.* The mediation held on August 12, 2003 was unsuccessful. The parties have agreed to submit their dispute to fast-track, ad hoc arbitration. The decision will be final and binding. The arbitration is scheduled for the first two weeks of February 2004.

(C) EcoElectrica v. American International Insurance Co. of Puerto Rico & Houston Casualty Insurance Co. (No. 02-2770, U.S. District Court, District of Puerto Rico). On December 4, 2002, EcoElectrica, a 542-MW combined-cycle cogeneration, receiving and storage facility, owned 50% by ENE with the other 50% owned by Edison Mission Energy, Inc. and General Electric, which is located near Peñuelas, Puerto Rico, filed suit against American International and Houston Casualty for insurance proceeds of approximately $15 million to cover losses suffered from damage to one of its electrical generators, for specific performance to compel full payment of the claim including attorneys' fees, and for a declaratory judgment that payment is due under the relevant policies. EcoElectrica was granted a default judgment. However, defendants have moved to set aside the default on jurisdictional grounds and for a stay of the proceedings pending mediation. The mediation held on August 12, 2003 was unsuccessful. The parties have agreed to submit their dispute to fast-track, ad hoc arbitration. The decision will be final and binding. The arbitration is scheduled for the first two weeks of February 2004.

(D) Enron Corp. & Ponderosa Assets L.P. v. The Republic of Argentina (International Centre for the Settlement of Investment Disputes). ENE and Ponderosa filed an arbitration in March 2003 against the Republic of Argentina for expropriation resulting from the Emergency Law passed in January 2002 that abrogates the TGS License provisions providing for (1) tariffs to be calculated in U.S. dollars, and (2) tariffs to be increased based on the U.S. Producer Price Index. The requirement that dollar tariffs be converted into pesos at an exchange rate of 1:1 eliminated entirely the License's protections against devaluation of the peso. The government also prohibits TGS from ceasing operations for non-payment, thereby forcing it to operate at a loss. Damages are estimated at $450 million. Argentina's objection to jurisdiction is due August 20, 2003. ENE and Ponderosa will have sixty days after Argentina files its objection to file a response. An initial hearing to discuss the reference was held on September 3-4, 2003, and a ruling is pending.

(E) Enron Corp. and Ponderosa Assets L.P. v. The Republic of Argentina (International Centre for the Settlement of Investment Disputes). ENE and Ponderosa filed a request for arbitration on February 22, 2000 against The Republic of Argentina to challenge the arbitrary imposition of provincial stamp taxes on their pipeline, TGS. The total amount of taxes sought by various provinces, excluding penalties and interest was approximately $547 million at the time the arbitration was filed. Currently, the total amount sought is approximately $147.8 million because of the fluctuation in the Argentine currency. Penalties and interest could potentially treble this amount. Argentina challenged jurisdiction of the ICSID and ENE/Ponderosa responded. A hearing on Argentina's objection to jurisdiction was held September 3-4, 2003, and a ruling is pending.

(F) Gasparticipacões Ltda. v. Compania de Gás da Bahía, State of Bahia and Petrobras. In July 2002, Gaspart filed a declaratory action to have its shareholder rights reinstated in Bahiagás. Petrobras and the State of Bahia unilaterally stripped Gaspart of its shareholder rights because of the ENE bankruptcy. Gaspart was granted a temporary injunction partially reinstating its shareholder rights. Gaspart requested and was granted a revision of the order for full reinstatement. The defendants filed a "declaratory embargo" seeking to quash the injunction. Although Gaspart was successful in its last hearing, the State of Bahia continues the appeal process. Gaspart has engaged a commercial consultant to assist in the negotiation of a commercial resolution. The parties are discussing settlement.

(G) Great Lakes Dredge & Dock Company and DawsonDredging Company v. LINGTEC Constructors L.P. and Enron Power Services B.V. (Demand for arbitration pursuant to the United Nations Commission on International Trade Law Arbitration Rules) (London, England). The dispute relates to a subcontract originally executed in August 1999 between Great Lakes and LINGTEC for work related to LINGTEC's contract with Dabhol Power. Under the general contract, LINGTEC was to generally develop and procure an LNG unloading regasification and storage facility in the vicinity of the existing Dabhol power station. Claimant seeks damages totaling over $13 million. LINGTEC's bankruptcy filing in January 2003 stayed proceedings as to LINGTEC and EPS's liquidation proceeding filed in the Netherlands stayed proceedings as to EPS.

(H) Saras S.p.A. Raffinerie Sarde (Italy) v. Enron Dutch Holdings, B.V. (Netherlands) (No. 11980/ACS, International Court of Arbitration, ICC, Geneva, Switzerland). In January 2002, Saras filed a request for arbitration against EDH alleging that EDH ceased to be an "affiliate" of ENE as defined by the Shareholders' Agreement when ENE transferred its EDH shares to ES Power 3, L.L.P., a limited liability company that Saras alleges is not a fully owned subsidiary of ENE. ENE holds a .025% economic interest in ES Power 3, and ES Power 1 L.L.C. holds the balance 99.975% economic interest in ES Power 3. ENE holds both a 100% voting interest in ES Power 3 and a 100% voting interest in ES Power 1, such that ENE has 100% voting control of EDH. EDH asserts that it has not violated the Shareholders Agreement. Saras further alleges that the share transfer entitles it to exercise an option call on all the shares held by EDH in Sarlux at the net book value less 10% as provided for in the Shareholders' Agreement. Saras contends the option call was exercised by written notice on January 15, 2002. EDH values the claim in excess of $100 million. Saras is contending that it is entitled to purchase EDH's shares for approximately €60 million. The parties have submitted their position statements to the arbitration panel. It is anticipated that the proceedings will continue through mid-2004.

(I) Enron Power Construction Company, Enron Engineering & Construction Company and Enron Equipment Procurement Co. v. Cigsa Construccion, S.A. de CV, Astilleros del Golfo S.A. de C.V., and Age Mantenimiento, S. de R.L. de C.V. (No. H-02-3143, U.S. District Court, Southern District of Texas, Houston Division); Cigsa v. CAByL (No. 72/2002, 6th State Court, Tampico, Tamaulipas, Mexico); and Cigsa v. Enron Power Construction Company (No. 72/2002, 4th State Court in Civil Matters, Tampico, Tamaulipas, Mexico). EPCC, EECC, and EEPC contributed procurement services and provided financing for six PEMEX construction projects in Mexico to CIGSA Construction, S.A. de CV., Astilleros del Golfo S.A. de C.V., and Age Mantenimiento, S. de R.L. de C.V. and other related entities. Certain of these projects were undertaken through CAByL, which is 50% owned by Odebrecht. As a result of disputes between the Cigsa entities on the one hand and the Enron entities and Odebrecht on the other hand, there are litigation and arbitration proceedings underway related to the distribution of project proceeds. The projects are completed. The Enron entities seek a recovery of approximately $23 million in project proceeds, advancement of financing and related expenses. The Cigsa entities dispute the claim, contend that the Enron entities owe the Cigsa entities approximately $10 million and seek ownership of the Enron entities interest in CAByL. Odebrecht has also filed suit by and through a related entity to assert a claim of approximately $17 million against CAByL. On July 28, 2003, the parties entered into a settlement agreement under which the Enron entities will receive an initial disbursement of $14 million and subsequent payments representing claims submitted to PEMEX. Under the terms of the settlement, the parties have also agreed to release all claims relating to the litigation. The settlement has been approved by the Bankruptcy Court.

(v) Other Pending Litigation or Arbitrations

(A) American Water Services, Inc. and American Water Works Co., Inc. v. Azurix Corp. (No. 20189-NC, Chancery Court of New Castle County, Delaware). Azurix has been sued for breach of contract and specific performance for failure to provide a financial guaranty and other contractual claims relating to the sale of certain subsidiaries of Azurix. Discovery is proceeding in this matter. ENE is prepared to issue a postpetition guaranty of Azurix's alleged obligation with respect to the financial guaranty, and on June 12, 2003, the Bankruptcy Court approved ENE's issuance of the Azurix guaranty. As of August 29, 2003, ENE had not issued the guaranty. EBWH, a wholly owned non-Debtor subsidiary of ENE, owns 33-1/3% of the voting shares of Azurix. Atlantic owns the remaining 66-2/3% of the voting shares of Azurix. ENE holds a 50% voting interest in Atlantic, as well as 100% of the cumulative preferred stock issued by Azurix. The remaining 50% voting interest in Atlantic is held by Marlin.

(B) Beeson, Eclipse Oil & Gas Inc. and O'Neill Properties, Ltd., for themselves and all others similarly situated v. Intratex Gas Company, Dow Chemical Company, and Tenngasco Gas Supply Company, f/k/a Tennagasco, Inc. and Beeson, Eclipse Oil & Gas Inc. and O'Neill Properties, Ltd., for themselves and all others similarly situated v. Intratex Gas Company, Dow Chemical Company, and Tenngasco Gas Supply Company f/k/a Tennagasco, Inc. (No. 95-07388-A, 80th Judicial District Court, Harris County, Texas). Beeson, Eclipse, and O'Neill filed a class action alleging that HPL failed to take ratably from gas wells in Texas. The complaint seeks $466 million in damages. In February 2001, the trial court denied the class certification requested by Beeson, Eclipse and O'Neill. Beeson, Eclipse and O'Neill have appealed (Case No. 01-00239, Texas Court of Appeals, 1st District).

(C) Buffalo v. Garden State Paper Company et al. (No. L-366-02, Superior Court, Middlesex County, New Jersey). On November 27, 2000, a forklift operated by an employee of the Port Cateret Recycling facilities struck Philip Buffalo, a driver for Penske. Reserving its rights under the terms of the parties' contract, the demand for indemnification was accepted by Gallagher Bassett Services, Inc. on behalf of Penske on May 15, 2001. An order of dismissal dismissing ENE pending bankruptcy, was entered February 25, 2002. Penske assumed Garden State's defense and agreed to indemnify Garden State, Port Carteret, and Amaro on June 28, 2002. Although damages are unspecified, assuming liability is established, they could exceed $1 million.

(D) C.C. Sunrise, Ltd. v. Pittencrieff America, Inc., et al., including Joint Energy Development Investments Limited Partnership and Enron Capital Corp. (No. 01-1207-A, 28th Judicial District Court, Nueces County, Texas). Sunrise seeks unspecified damages for alleged contamination of 130 acres of real property along the Laguna Madre in south Texas. Joint Energy and Enron Capital Corp. are alleged to have been owners/operators of adjacent real property upon which Joint Energy and Enron Capital Corp. allegedly operated certain oil and gas facilities, including storage tanks, processing plant, pipelines and disposal pits.

(E) Commissioner of Banking v. Gulf Company Ltd. (No. 128-3-02, Superior Court, Washington County, Vermont). On April 18, 2002, following petition for seizure, as entered March 7, 2002, the State of Vermont petitioned for an order to rehabilitate alleging insolvency of Gulf Company, ENE's captive insurance company, which is formed and licensed under Vermont law. The state alleges as "highly uncertain" Gulf Company's ability to collect any of a $54 million demand note from ENE. If the note cannot be collected, Gulf's exposure to scheduled claims exceeds its assets. By stipulation entered on June 29, 2002, the parties agreed to entry of an order to rehabilitate and a delegation of authority, whereby the business of Gulf Company continues under the auspices of the State to satisfy claims on a month-to-month basis by drawing down required funds from the demand note pursuant to certain Bankruptcy Court orders authorizing ENE to continue paying workers' compensation obligations and to pay all obligations owing in respect of ENE's captive insurance program.

(F) ConAgra Trade Group, Inc. f/k/a ConAgra Energy Services, Inc. v. Enron Reserve Acquisition Corp. (No. 13 198 00925 2, American Arbitration Association, Nebraska). ConAgra filed a demand for arbitration claiming breach of a master crude oil purchase and sale agreement dated October 31, 2001 between ConAgra and ERAC. There is also an ENE guaranty dated October 31, 2001 in the amount of $10 million supporting the obligations of ERAC pursuant to the agreement. ConAgra seeks $9.3 million, together with interest from December 1, 2001, attorney's fees and costs of the proceeding. The matter is stayed, and settlement talks have been initiated.

(G) Costilla Energy Inc., by and through its Litigation Trustee, George Hicks v. Enron Corp. et al. (including Enron North America Corp. and JEDI II, L.P., Enron Capital Management L.P., Enron Capital Management II, L.P. and Enron Capital II Corp.) (No. 01-CV-159, U.S. District Court, Southern District of Texas, Laredo Division) (remanded) (No. 5019, 49th Judicial District Court, Zapata County, Texas). Costilla claims ENA promised that it would finance certain property acquisitions and that it did not do so and as a result of the breach Costilla suffered damages between $25 million and $400 million. Costilla initially filed suit against ENA in Harris County, Texas. Two weeks later, Costilla filed suit against various Enron entities in Zapata County, Texas. However, Costilla did not dismiss the case in Harris County. ENA filed a counterclaim in Harris County. ENA also moved to transfer venue and to abate the Zapata County case. The federal court case was closed on August 15, 2002 when the case was remanded to the district court in Zapata County. The Harris County suit was dismissed for want of prosecution on February 7, 2003. A motion to transfer venue from Zapata County to Harris County was denied on June 10, 2003.

(H) Edison Salvage Associates v. Garden State Paper L.L.C., et al. (No. L-5233-00, Superior Court, Bergen County, New Jersey). This is a suit for breach of a lease agreement by Garden State for a closed recycling center that occurred prior to ENE's acquisition of Garden State. Garden State is being defended and indemnified by Media General, the company from which ENE acquired Garden State.

(I) Enron Equipment Procurement Corp. v. Siemens-Westinghouse Power Corp. (No. 2001-44553, 113th Judicial District Court, Harris County, Texas) (originally assigned to the 269th Judicial District Court, Harris County, Texas). EEPC alleges that Siemens-Westinghouse breached the terms of a purchase agreement entered into by the parties and engaged in fraud with respect to the sale of gas turbine generator equipment damaged during transit. EEPC seeks recovery of the $24 million paid towards the purchase price, liquidated damages and related termination fees, punitive damages, and attorneys' fees. Siemens-Westinghouse has filed a $1.8 million counterclaim seeking recovery of the balance due on the purchase price and storage fees. Discovery has begun. In September 2002, the presiding judge recused himself because of a conflict of interest and the case has been reassigned. Trial is set preferentially for October 20, 2003.

(J) Glatzer v. Enron Corp., ECT Corp., Frank Weisser and Patricia Jehle (No. 16465/96, Supreme Court, Bronx County, New York) and Glatzer v. Bear Stearns & Co., Inc. (No. 95 CV 1154, U.S. District Court, Southern District of New York). Glatzer alleges that ECT Corp. misappropriated trade secrets regarding monetization of production payments. The alleged trade secret was Glatzer's idea to monetize production payments. Glatzer alleges he gave his idea to Bear Stearns who then allegedly relayed the idea to ECT Corp. Glatzer's damages are unspecified, but he has offered to settle for $1 million. The court granted ECT Corp.'s motion for summary judgment on July 14, 1999. On December 10, 2000, the Court of Appeals affirmed. Glatzer has filed a motion for reconsideration.

(K) In re Natural Gas Royalties Qui Tam Litigation (Grynberg Litigation) (No. 97-1421, U.S. District Court, District of Colorado & No. 97-2087, U.S. District Court, Eastern District of Louisiana, New Orleans Division (MDL—No. 99-MD-1293, U.S. District Court, District of Wyoming, Casper Division) (Debtors Enron Corp. and LRC, ENA, as well as CrossCountry entities, are defendants). Refer to Section IX., "CrossCountry Energy Corp." for further information. This is a qui tam action brought against most of the pipeline companies in America, alleging fraudulent practices in the measurement of gas and Btu content produced on federal lands, which allegedly, has resulted in lower royalties. Damages are unspecified.

(L) Noseff et ux. v. Pinnacle Natural Gas Company, et al., including Northern Natural Gas and Enron Corp. (No. CV-2001-01278, 2nd Judicial District Court, Bernalillo County, New Mexico). Noseff, a current field employee of Transwestern, alleges personal injuries as a result of a gas fire in July 1998 at a pipeline interconnect between Pinnacle and NNG facilities near Hobbs, New Mexico that he was servicing when the incident occurred. Noseff further seeks to circumvent the workers' compensation immunity by suing NNG and ENE alleging that ENE failed to adequately fund the maintenance of the interconnect and was negligent by its failure to supervise the design, manufacture and installation of the interconnect, owned by NNG. Noseff alleges that NNG was negligent by its failure to evaluate and implement changes in the equipment on the interconnect that would have prevented the incident. Noseff seeks to hold ENE and NNG strictly liable for the alleged defective equipment and seeks compensatory and punitive damages. NNG and ENE are insured for first dollar exposure/expense pursuant to an AIG novation agreement and their excess coverage. The parties have reached a settlement in principle that includes a payment by NNG to the plaintiffs, which is fully insured by third-party carriers. The release to be executed will release both NNG and ENE, and the dismissal to be entered by the court will dismiss both NNG and ENE with prejudice.

(M) Viviendi North American Corporation f/k/a Anjou International Company v. Artemis Associates, L.L.C. (No. 70 M 168 00637 02, American Arbitration Association, Houston, Texas). This is a dispute between Artemis, the Enron entity utilized to purchase Limbach in 1998, and Anjou regarding a Stock Purchase Agreement dated March 3, 1998. Anjou raises issues regarding the final settlement and reimbursement of self-insurance amounts and other bonding and insurance matters. Arbitration was initiated by Anjou in October 2002. In December 2002, Artemis filed for bankruptcy protection, thereby staying the arbitration. In July 2003, the American Arbitration Association dismissed the matter for want of prosecution.

2. Government Investigations

The factual descriptions below address certain governmental investigations surrounding certain Debtors, non-Debtor affiliates, and certain assets/structures held by the Debtors and/or non-Debtor affiliates. The factual descriptions below, which are based on the Debtors' view of the investigations and proceedings and subject to further review, elaboration, or modification, are included for information purposes only, and others familiar with these proceedings, including the governmental agencies involved in the investigations, the ENE Examiner, and other third parties may dispute all or part of these descriptions or assessments. The Enron Companies are cooperating with all governmental investigations.

a. SEC and Department of Justice. The federal government has initiated various investigations into, and judicial proceedings relating to, the affairs of the Enron Companies through, among others, the SEC and the DOJ.

(i) SEC

(A) Investigation. On October 30, 2001, the SEC issued a formal order of investigation titled "In the Matter of Enron Corp. (HO-9530)." The SEC stated that it was investigating "[w]hether Enron and certain persons and entities associated with Enron, misstated or caused the misstatement of the financial condition and results of operations of Enron and disclosures related thereto, and whether certain persons and entities violated the anti-fraud provisions of the federal securities laws in connection with the purchase and sale of Enron securities."[25] Since this initial investigation, ENE has subsequently received numerous subpoenas and written and verbal requests from the SEC for information and documents.

(B) Financial Institutions. On March 17, 2003, the SEC filed its complaint and simultaneously announced an $80 million settlement with Merrill Lynch. The complaint alleges that the defendants aided and abetted ENE's alleged manipulation of its 1999 earnings. As part of the settlement, Merrill Lynch neither admitted nor denied guilt. The settlement does not extend to the individual defendants in the complaint, who are former Merrill Lynch executives. The SEC is also investigating Citigroup and JPMCB in connection with, among other things, their prepay transactions with the Enron Companies. No litigation has been commenced against either of these entities.

(C) Civil Proceedings Against Kopper. The SEC brought a civil action against Michael Kopper that parallels the criminal proceeding (refer to Section IV.C.2.a(iii), "Criminal Proceedings"). On August 22, 2002, the United States District Court for the Southern District of Texas entered a final judgment against Kopper that incorporated the terms for forfeiture and surrender of $12 million as set forth in the Kopper Agreement with the DOJ (Refer to Section IV.C.2.a(iii)(A), "Michael Kopper Plea" for further information). A number of other civil proceedings have also been commenced against Kopper. On August 26, 2002, the Creditors' Committee commenced an adversary proceeding against Kopper and LJM2 seeking, among other things, turnover of $8 million of the assets and a temporary restraining

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25 Securities and Exchange Commission v. Andrew S. Fastow, Misc. No. 01-MS-00456; United States District Court, District of Columbia.

order to prevent action by Kopper and LJM2 with respect to the assets referenced in the Kopper Agreement. Thereafter, on October 17, 2002, the Bankruptcy Court signed a stipulation and consent order by and among ENE, the Creditors' Committee, the SEC, and Kopper whereby the SEC agreed to seek amendment of the SEC Final Judgment to provide for, among other things, distribution of the $8 million in assets to public investors who are holders of ENE's unsubordinated debt securities issued pursuant to a registration statement on Forms S-1 or S-3.

(D) Civil Proceedings Against Fastow. The SEC brought a civil action against Andrew Fastow that parallels the criminal proceeding filed against him (refer to Section IV.C.2.a(iii), "Criminal Proceedings" for further information). A number of other civil proceedings have also been commenced against Fastow.

(E) Civil Proceedings Against Howard and Krautz. Moreover, on March 12, 2003, the SEC filed a civil action against Kevin A. Howard and Michael W. Krautz in the United States District Court for the Southern District of Texas. The SEC alleges that Howard and Krautz, employees of EBS, engaged in a scheme that allowed ENE to recognize and report $111 million in fraudulent earnings in connection with "Project Braveheart," which involved the monetization of assets resulting in an immediate recognition of earnings from a long-term agreement with Blockbuster to develop and provide video-on-demand services. The SEC seeks injunctive relief and disgorgement of Howard's and Krautz's unlawful gains and civil penalties.

(ii) DOJ Investigations. The DOJ is conducting an investigation of the events and individuals involved in the events leading to the bankruptcy of ENE to determine whether any laws of the United States of America were violated. In addition to the ongoing investigation by the DOJ's Enron Task Force, in August 2002 the United States Attorney for the Northern District of California initiated an investigation into alleged price manipulation of the California wholesale energy market by ENE and others. The DOJ's ongoing investigation in the Enron Companies' West Coast trading practices has resulted in criminal proceedings against two former employees: Timothy Belden and Jeffrey Richter.

(iii) Criminal Proceedings. Criminal proceedings have been instituted against several former employees of the Debtors.

(A) Michael Kopper Plea. On August 21, 2002, Michael Kopper and the DOJ filed the Kopper Agreement in the United States District Court for the Southern District of Texas on August 21, 2002. The Kopper Agreement provides that Kopper will waive indictment and plead guilty to an information charging him with one count of conspiracy to commit wire fraud and one count of conspiracy to engage in monetary transactions in property derived from specified unlawful activity, charges arising from Kopper's involvement in certain transactions with ENE and related SPEs.

In the Kopper Agreement, Kopper acknowledged that he, ENE's former Chief Financial Officer Andrew Fastow, and others used transactions involving SPEs to enrich themselves at the Debtors' expense, and in violation of their duty to provide ENE and its shareholders with honest services.

Under the Kopper Agreement, Kopper agreed, among other things, (1) not to contest forfeiture of and surrender of all possible claims to $4 million in a Charles Schwab account in the name of LJM2 Capital Management, L.P., and (2) to pay $8 million in a matter directed by the SEC. After Kopper fulfills his obligations under the Kopper Agreement, the DOJ has agreed to recommend leniency in sentencing. The DOJ also agreed not to pursue forfeiture beyond the $4 million in the Charles Schwab account and the $8 million Kopper agreed to pay to the SEC pursuant to the final judgment entered by the United States District Court for the Southern District of Texas.

(B) Timothy Belden Plea. On October 17, 2002, Timothy Belden and the DOJ entered the Belden Agreement in the United States District Court for the Northern District of California. The Belden Agreement provides that Belden will waive indictment and plead guilty to an information charging him with one count of conspiracy to commit wire fraud, which derives from Belden's trading activities as Director of Enron's California energy trading desk and Vice President and Managing Director in charge of Enron's West Power Trading Division in Portland, Oregon.

In the Belden Agreement, Belden acknowledged that he and others, from 1998 through 2001, implemented schemes to fraudulently increase revenue for Enron from California energy market participants by intentionally filing false energy schedules, thereby manipulating market prices.

Under the Belden Agreement, Belden agreed among other things, to waive all rights in $2.1 million he received from Enron and placed in two Charles Schwab accounts, and he agreed not to contest forfeiture of these funds to the United States. If Belden is subject to a monetary judgment from a successful third-party claimant in the ENE bankruptcy proceeding, the DOJ has agreed to dismiss its forfeiture action in the amount of any judgment. Additionally, the $2.1 million will be applied against Belden's obligation to pay restitution. Upon Belden's completion of his obligations under the Belden Agreement, the DOJ has agreed to not oppose a downward adjustment of three levels under the federal sentencing guidelines. The DOJ also agreed not to file or seek additional charges against Belden that could be filed as a result of its current investigation of Belden.

(C) Andrew Fastow Indictment. On October 31, 2002, a grand jury convened by the United States District Court for the Southern District of Texas indicted Andrew Fastow, ENE's former CFO, on 78 counts of wire fraud, conspiracy to commit wire fraud, conspiracy to commit wire and securities fraud, obstruction of justice, money laundering, and money laundering conspiracy. The indictment alleges that during his employment at ENE, Fastow and others engineered a series of transactions utilizing SPEs that defrauded ENE, its shareholders, the SEC, and others. Fastow pleaded not guilty to all charges on November 6, 2002, and remains free on a $5 million bond.

On April 29, 2003, the grand jury issued a superseding indictment that included 31 additional counts against Fastow and added Ben F. Glisan, Jr. and Dan Boyle as co-defendants. This superseding indictment charges the defendants with conspiracy to commit wire fraud, conspiracy to falsify books, records and accounts, conspiracy to commit wire and securities fraud, wire fraud, obstruction of justice, conspiracy to launder money, money laundering, insider trading, and filing false federal income tax returns. The defendants have each pleaded not guilty to the various charges against them and remain free on bond.

(D) Lawrence M. Lawyer Plea. On January 7, 2003, Lawrence M. Lawyer and the DOJ entered the Lawyer Agreement in the United States District Court for the Southern District of Texas. The Lawyer Agreement provides that Lawyer will waive indictment and will plead guilty to filing false tax returns that did not report money he received for his work on the RADR partnership while Lawyer was an employee of Enron Capital Management. The Lawyer Agreement provides that Lawyer will waive indictment and plead guilty to an information charging him with one count of willfully making and subscribing to a false tax return. In the Lawyer Agreement, Lawyer acknowledged that he failed to report as taxable income $79,468.83 he received from an Enron-related SPE, RADR. Refer to Section III.G.3., "RADR" for further information on the RADR SPEs.

The Lawyer Agreement requires Lawyer: (1) to pay taxes owed to the IRS in the amount of $29,274.73; (2) pay restitution in the amount of $79,468.83 to a relief fund account set up for former Enron employees; and (3) waive all rights under the Bankruptcy Code to obtain discharge or to delay payment of any fine or restitution obligation.

(E) Jeffrey S. Richter Plea. On February 4, 2003, Jeffrey S. Richter and the DOJ, through the United States Attorney's Office for the Northern District of California, and the Enron Task Force, entered the Richter Agreement in the United States District Court for the Northern District of California. The Richter Agreement provides that Richter will waive indictment and plead guilty to one count of conspiracy to commit wire fraud and one count of making a false statement to the FBI, arising from his activities as manager of the Short Term California trading desk at Enron's West Power Trading Division in Portland, Oregon.

In the Richter Agreement, Richter acknowledged that he and others agreed to devise and implement fraudulent schemes through the California energy markets. As part of these schemes, Richter and others intentionally filed false energy schedules and bids in order to manipulate prices in certain markets.

The Richter Agreement requires Richter to pay restitution in an amount to be determined, and to cooperate with the DOJ before and after his sentencing. The DOJ has agreed not to file or seek any additional charges against Richter that could be filed as a result of its current investigation. Additionally, the DOJ has agreed not to oppose a downward adjustment of three levels under the federal sentencing guidelines.

(F) Ben Glisan Jr. Plea. On September 10, 2003, Ben Glisan Jr. entered a guilty plea to one count of conspiracy to artifically manipulate ENE's financial statements. He was sentenced to five years in federal prison, which he began serving immediately. Glisan also agreed to forfeit approximately $1 million in profits he received from his investment in the Southhampton Project and not to seek a refund of the approximately $412,000 in income taxes he paid on that profit.

Also on September 10, 2003, the SEC filed suit in federal district court in Houston (#03-3628) alleging that Glisan violated federal securities laws by helping ENE to fraudulently inflate its earnings and operating cash flows to conceal the true extent of its debt and to manipulate ENE's financial results to the detriment of ENE's shareholders. Simultaneously with the filing of the complaint, Glisan agreed to file a consent allowing a final judgment to be entered against him. Glisan, without admitting or denying the allegations of the complaint, agreed to the entry of a final judgment permanently enjoining him from violating SEC rules and barring him from holding officer or director positions in public companies in the future.

(G) Indictments of Certain Former Officers of Enron Broadband Services. On March 26, 2003, a grand jury convened by the United States District Court for the Southern District of Texas indicted Kevin A. Howard and Michael W. Krautz on several counts of securities fraud, wire fraud, conspiracy, and making false statements to the FBI. On April 2, 2003, Howard and Krautz entered not guilty pleas.

On April 29, 2003, the grand jury issued a 218-count superseding indictment against Howard, Krautz, Kenneth Rice, Joseph Hirko, Kevin Hannon, Scott Yeager, and Rex Shelby, all former employees of EBS. In addition to the charges contained in the original indictment, the superseding indictment contains charges of misleading the investing public regarding the financial condition of EBS, insider trading, and money laundering, although not every defendant is charged with each count in the indictment. Each defendant has entered a plea of not guilty and remains free on bond.

(H) Lea Fastow Indictment. On April 30, 2003, a federal grand jury convened by the United States District Court for the Southern District of Texas indicted Lea W. Fastow, the wife of Andrew Fastow and a former ENE employee, charging her with one count of conspiracy to commit wire fraud and defraud the United States, one count of conspiracy to launder money, and four counts of filing false federal income tax returns. The indictment alleges, among other things, that Lea Fastow, in part during her employment at ENE, and others devised a series of transactions involving SPEs to obtain money through materially false pretenses, defrauding ENE, its shareholders, the United States, and others. Lea Fastow entered a plea of not guilty and is currently free on $500,000 bond.

(I) John Forney Indictment. On June 5, 2003, a federal grand jury convened by the United States District Court for the Northern District of California indicted John Forney, a former Enron employee, on a single count of conspiracy to commit wire fraud for acts allegedly committed while Forney was head of Enron's western real-time power trading operations in Portland, Oregon. Forney was arrested in Columbus, Ohio on June 3 for wire fraud and conspiracy charges filed against him in a criminal complaint unsealed that day in the Southern District of Ohio. Forney pleaded not guilty to all charges on June 3, 2003, and remains free on a $40,000 bond.

b. FERC Investigations. FERC has instituted several investigations, as described more fully below. FERC has also instituted several lawsuits. Refer to Section IV.C.1.e(i), "FERC Litigation" for further information.

(i) FERC Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, Docket No. PA-02-2-000. On February 13, 2002, FERC began a fact-finding investigation into whether any entity, including any of the Enron Companies, manipulated short-term prices in electric or natural gas markets in the western United States. FERC's fact-finding investigation began in the wake of the Debtors' December 2001 bankruptcy filings and is based on allegations that ENE, through its affiliates, used its market position to distort electric and gas markets in California and the western United States.

Six months into their investigation, on August 13, 2002, FERC staff issued an initial report to the U.S. Congress summarizing its findings and recommendations, including noting that there exists sufficient evidence to warrant formal investigations of possible violations of the FPA by PGE, EPMI, ECTRIC, and three companies unrelated to the Enron Companies. On the same date, FERC did open an investigation of PGE and EPMI under Docket Nos. EL02-114 and EL02-115.

On March 26, 2003, FERC issued its Final Report on Price Manipulation in Western Markets and, concurrently with that report, an order was issued directing EPMI and EESI to show cause to FERC in a paper hearing why their authority to sell power at market-based rates should not be revoked citing an apparent violation of section 205(a) of the FPA's requirement that rates be just and reasonable. This order also directs ENA Upstream, EESI, ENA, and certain non-Debtor entities to show cause to FERC why their blanket marketing certificates under section 284.402 of FERC's regulations to make sales for resale at negotiated rates in interstate commerce of categories of natural gas subject to FERC's Natural Gas Act jurisdiction should not be revoked. Several persons sought rehearing of that Order, asking FERC revoke the perspective authority retroactively to earlier points in time. The Enron entities responded to the show cause order, as well as to the various pleadings styled as requests for rehearing. This matter is docketed as *Enron Power Marketing, Inc.* Docket Nos. EL03-77-000 et al.

On June 25, 2003, FERC issued an order finding that EPMI and EESI engaged in gaming in the form of inappropriate trading strategies and that they failed to inform FERC of changes in market share resulting from gaining influence/control over others facilities. The order finds that these behaviors constitute market manipulation and result in unjust and unreasonable rates. In the June 25 order, FERC also finds that ENA Upstream, EESI, ENA, and certain non-Debtor affiliates manipulated the natural gas sales market, which it finds justifies the revocation of their authority to make jurisdictional sales for resale of natural gas.

FERC ordered the following actions: (a) revocation of EPMI's and EESI's market-based rate authority and immediate termination of their electric market-based rate tariffs; (b) termination of EESI's authorization to make sales of natural gas under 18 C.F.R. § 284.402 and issuance of a limited authorization for the sole purpose of liquidating EESI's existing assets, with the requirement that EESI report to FERC every 30 days regarding progress in liquidating assets; (c) termination of ENA's authorization to make sales of natural gas under 18 C.F.R. § 284.402 and issuance of a limited authorization for the sole purpose of dissolution of its gas trading book, liquidation of certain positions, and fulfillment of obligations under two ongoing contracts, with the requirement that ENA report to FERC every 30 days regarding progress in terminating these activities; (d) termination of ENA Upstream's authorization to make sales of natural gas liquidating existing assets, with a self-effectuating termination date of December 31, 2003; and (e) termination of the authorizations of certain non-Debtor affiliates' (none of which are included in the Operating Entities) authorizations to make sales of natural gas under 18 C.F.R. § 284.402, in one case with limited authorization to continue certain sales. The Debtors are evaluating whether to file a motion for rehearing and subsequent appeal. Moreover, because certain former counterparties filed motions for rehearing of the March 26 show cause orders asking FERC to make any revocations retroactive, rather than prospective, the Debtors anticipate that these counterparties may file motions for rehearing of the final order seeking the same relief.

(ii) Qualifying Facility Investigations. In two separate proceedings, *Southern California Edison Co.,* Docket Nos. EL03-19-000 et al. and EL03-17-000 et al., and *Investigation of Certain Enron-Affiliated QFs*, Docket No. EL03-47-000, FERC is investigating certain qualifying facilities that ENE has had an indirect ownership interest in since it acquired PGE. The allegation in each of the two proceedings is that ENE's ownership interest in and/or agreements with these qualifying facilities caused electric utility ownership in these projects to increase above the amount permitted to maintain qualified facility status.

In the first proceeding, which involves six qualifying facilities, the named Enron Companies have entered into two settlements, one with FERC Trial Staff and a second with the utility purchaser. A June 10, 2003 Administrative Law Judge order recommends to FERC that it accept the agreement with the utility purchaser but not the agreement with FERC Trial Staff. FERC ultimately accepted both settlements.

On August 13, 2003, FERC issued a Letter Order terminating Docket No. QF90-203-004 only. Docket No. EL03-47-000, et al. remains open, pending the resolution of issues with respect to generation facilities other than Saguaro's facility.

In the other proceeding, FERC has initiated an investigation of twenty-two qualifying facilities in which ENE has or has had an indirect ownership interest and/or other related contractual arrangements.

(iii) FERC Bidding Investigation. Also, on June 25, 2003, FERC issued an order initiating an investigation into anomalous bidding in the California markets. Specifically, the investigation will inquire as to whether during certain specified periods any bid over $250/MWh may have been unlawful. FERC will forward bid information from the ISO between the specified dates of May 1, 2000 and October 1, 2000 to all bidders who were active in the California market at that time. ENE has requested this information from FERC, and has made timely responses to FERC regarding this matter. Refer to Section VIII.C.19., "FERC Bidding Investigation".

c. Other Federal Investigations. Other federal agencies are also conducting investigations regarding the Enron Companies:

(i) The Commodity Futures Trading Commission is conducting an investigation of various activities undertaken by ENE to determine whether such activities were in violation of the Commodity Exchange Act, as amended by the Commodity Futures Modernization Act of 2002. On March 12, 2003, CFTC filed a complaint against ENE and

Hunter Shively. Refer to Section IV.C.1.e(iii)(A), "United States Commodity Futures Trading Commission v. Enron Corp. and Hunter Shivley (No. 03--909, U.S. District Court, Southern District of Texas, Houston Division)" for further information.

(ii) The United States Department of Labor is conducting an investigation of the Enron Corporation Savings Plan, ESOP, Cash Balance Plan, and Welfare Benefit Plans to determine whether there is a violation of any provision of ERISA or any regulation or order thereunder. On June 26, 2003, the Department of Labor announced the filing of a lawsuit against ENE, the Enron Corporation Savings Plan, the ESOP, and certain members of the 2001 Board and members of the administrative committee of the Enron Corporation Savings Plan. On July 2, 2003, this lawsuit was consolidated into the *Tittle* Action.

(iii) The Pension Benefit Guaranty Corporation is conducting an investigation of the status of pension plans sponsored by any of the Enron Companies. Refer to Section IV.A.8., "Employee Matters" for further information.

(iv) The Department of the Treasury, Internal Revenue Service has conducted its ordinary course examination of various of the Enron Companies, which began before the Initial Petition Date. The matter is now pending with the IRS appeals office.

(v) The Federal Trade Commission is conducting an investigation of the acquisition of assets of Pitt-Des Moines, Inc, by Chicago Bridge and Iron Company, N.V.

(vi) NASD Regulation is conducting an investigation of transactions generating revenue for ECT Securities, Inc. for the period from January 1, 1998 through January 28, 2002.

(vii) The Federal Election Commission investigated a complaint by Judicial Watch alleging violations of the Federal Election Campaign Act in connection with ENE's hiring of GOP consultant Ralph Reed. The Commission dismissed the charges in the case on February 11, 2003.

(viii) The General Accounting Office conducted a study on the relationship of investment banks and analysts with ENE and Global Crossing. The GAO issued a report in March 2003, entitled "*Investment Banks, The Role of Firms and Their Analysts with Enron and Global Crossing.*"

(ix) The General Services Administration, in March 2002, suspended ENE and related entities from obtaining further government contracts. No further action has been taken.

(x) The U.S. Attorney for the District of Connecticut conducted an investigation into various issues including (1) a three-party transaction between ENE, CRRA, and Northeast Utilities, (2) the negotiation and awarding of a contract between Garden State and CRRA, and (3) political contributions made to Connecticut government officials. ENE has responded to a subpoena for documents issued on May 17, 2002.

d. Congressional Investigations

(i) United States Senate. The United States Senate has conducted five investigations relating to the Enron Companies.

(A) The Senate Committee on Governmental Affairs and The Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs conducted a multi-faceted investigation into the role of internal and external actors (both public and private sector) in the events leading to the Enron Companies' current situation. The investigation resulted in the release of four reports:

(1) Board of Directors. On July 8, 2002, the Permanent Subcommittee on Investigations released its report, entitled "The Role of The Board of Directors in Enron's Collapse." The report focuses on actions or omissions of the Board in allowing ENE to engage in certain practices and transactions.

(2) Financial Oversight. On October 8, 2002, the Staff to the Senate Committee on Governmental Affairs released its report entitled "Financial Oversight of Enron: The SEC and Private-Sector Watchdogs." The report documents the results of the Committee's review of the financial oversight of the Enron Companies and focuses on the role of the SEC as well as the role of credit rating agencies and Wall Street securities analysts.

(3) FERC. On November 12, 2002, the Staff to the Senate Committee on Governmental Affairs released a report entitled "Committee Staff Investigation of FERC's Oversight of Enron Corp." This focus of this report is similar to the October 8, 2002 report in that it examines FERC's performance as a public-sector watchdog. On the same day, the Committee's Minority Staff released its report on "FERC and Its Oversight of Enron Corp.," which takes a position contrary to that contained in the Committee Staff report.

(4) Pulp and Paper. On January 2, 2003, the Permanent Subcommittee on Investigations released its "Report on Fishtail, Bacchus, Sundance and Slapshot: Four Transactions Funded and Facilitated by U.S. Financial Institutions." This report examined four related transactions involving the Enron Companies' pulp and paper business assets.

(B) The Senate Committee on Commerce, Science and Transportation is conducting an investigation to determine whether the Enron Companies' business activities had any impact upon the commerce, science or transportation within the United States. This committee held a number of hearings between December 2001 and July 2002 concerning, among other things, the Enron Companies' involvement in potential manipulation of the western U.S. energy market and the consumer impact of the effect of the bankruptcy on state pension funds. No report has been issued and no further hearings are scheduled at this time.

(C) The Senate Committee on Finance and The Congressional Joint Committee on Taxation are conducting an investigation into certain matters relating to (1) the Enron Companies' use of tax shelters, off-shore entities and SPEs and (2) the Enron Companies' pension and executive compensation and benefit arrangements for their employees. In February 2002, the Senate Committee on Finance requested that the

Congressional Joint Committee on Taxation undertake an investigation into these issues. In February 2003, the Joint Committee on Taxation released a staff report that sets forth the results of the investigation, including, among other things, a review of the Enron Companies' tax-motivated transactions and their financial accounting and reporting and tax impact, and a review of the Enron Companies' qualified retirement plans and executive compensation system, including prepetition and postpetition payments and bonuses.

The Senate Committee on Finance subsequently held two hearings concerning the Joint Committee on Taxation's staff report and investigation. The first hearing, held on February 13, 2003, primarily related to the tax aspects of the report, while the second hearing, held on April 8, 2003, primarily related to executive compensation issues.

Refer to Section X.A.3.e(iii)(E)., "U.S. Senate Committee on Finance" for information on the Senate Finance Committee's investigation regarding a Guatemalan power plant project.

(D) The Senate Committee on Banking, Housing and Urban Affairs conducted an investigation relating to accounting and investor protection issues arising from the Enron Companies and other public companies. The committee hearings examined issues including (1) accounting and auditing standards and oversight, and conflicts of interest; (2) the completeness of disclosure in SEC filings and shareholder communications; (3) underwriter and securities analyst conflicts of interest; (4) insider abuses; (5) corporate responsibility; and (6) the adequacy of SEC resources to meet its responsibilities.

(E) The Senate Office of the Clerk investigated a complaint filed by the Center for Responsive Politics, which alleged that ENE had filed incorrect lobby reports. ENE has since filed corrected lobby reports and the Office indicated that there will be no further action taken.

(ii) United States House of Representatives. The U.S. House of Representatives is conducting four separate investigations:

(A) The House Energy & Commerce Committee is conducting an investigation of matters relating to the financial downfall of ENE. No hearings relating to the investigation have been held since March 2002, nor has any report been issued.

(B) The House Education and Workforce Committee is conducting an investigation of matters arising from the bankruptcy of ENE and the resulting effect on related pension plans. No hearings relating to this investigation have been held since February 2002, and no report was issued.

(C) The House Financial Services Committee conducted hearings relating to the Enron Companies and the effect of their bankruptcy on investors and markets. No hearings relating to this investigation have been held since February 2002, and no report was ever issued.

(D) The House Committee on Government Reform The House Committee on Government Reform's ranking minority member, Rep. Waxman, conducted an investigation into various issues including Enron's contacts with government officials, and actions of former Enron officials currently serving in the executive branch. The Company has responded to several requests for documents and other information

e. State Investigations. In addition, authorities in various states are conducting their own investigations into various aspects of the Enron Companies:

(i) The State of Florida Office of the Attorney General conducted an investigation of certain of the Enron Companies relative to related party transactions and SPEs pursuant to enforcement of RICO. The Florida Attorney General has closed its investigation and has indicated that it anticipates taking no further action.

(ii) The State of Oregon Department of Justice Financial Fraud Section is conducting an investigation of ENE relative to the Oregon Racketeer Influenced and Corrupt Organizations Act.

(iii) The California State Senate and Attorney General are conducting an investigation of price manipulation allegations by ENE, certain Wholesale Services entities, and EPMI.

(iv) The Connecticut State's Attorney, who exercises criminal jurisdiction in Connecticut, indicated in the summer of 2002 that it might begin an investigation of ENE. Prior to the commencement of any formal investigation, ENE voluntarily contacted the State's Attorney's office and agreed to provide documents previously produced to the Connecticut Attorney General and the U.S. Attorney for the District of Connecticut. ENE has not received a formal subpoena from this office.

(v) The Public Utility Commission of Texas conducted an investigation of EPMI in regard to alleged over-scheduling in ERCOT during August 2001. The parties agreed to a settlement, which was approved by the Bankruptcy Court on April 10, 2003. The order made provision for an allowance of the claim totalling $9.4 million but did not authorize payment. The Debtors anticipate confirmation of the settlement agreement by the Texas PUC.

(vi) New York District Attorney's Office is investigating certain prepay transactions between the Debtors and certain financial institutions.

(vii) The Attorney General of the State of New Jersey was conducting an investigation into whether $108,000 of prepetition contributions made by ENE to the campaigns of certain New Jersey state legislative candidates violated a New Jersey statute governing such contributions. Violation of the statute could subject ENE to criminal liability in the amount of up to $990,000. On May 28, 2003, ENE filed with the Bankruptcy Court a motion to approve a compromise and settlement with the State of New Jersey. Under the terms of the proposed settlement, (i) ENE will pay the State of New Jersey $109,000, (ii) ENE agrees to certain restrictions on its future campaign contributions to candidates for office in the State of New Jersey, and (iii) the State of New Jersey shall release and discharge ENE from any and all claims, demands, and causes of actions arising from the contributions in question.

(viii) The Harris County, Texas District Attorney conducted an investigation into EBS's delinquent personal property taxes. The matter was settled on December 17, 2002 with a payment of back taxes in the amount of $1 million, and an agreement to a fine of $4,000. The Bankruptcy Court approved the settlement on December 5, 2002.

(ix) The New Jersey Attorney General investigated allegations that ENE had made illegal campaign contributions under New Jersey state election laws. The matter was settled and the settlement was approved by the Bankruptcy Court on June 10, 2003.

f. Informal Inquiries

(i) House Armed Services Committee. The United States House of Representatives Armed Services Committee made an informal inquiry, but no subpoena was ever issued, and no investigation or action was ever initiated against the Enron Companies.

(ii) Senate Committee of Health, Education, Labor and Pensions. Shortly after the Initial Petition Date, this committee held a hearing seeking information regarding the Enron Companies' pension program, but no investigation was ever launched. No activity has taken place in over 19 months.

(iii) Senate Judiciary Committee. The United States Senate Judiciary Committee made an informal inquiry, but no subpoena was ever issued, and no investigation or action was ever initiated against the Enron Companies.

(iv) Senate Committee on Energy and Natural Resources. The United States Senate Committee on Energy and Natural Resources made an informal inquiry, but no subpoena was ever issued, and no investigation or action was ever initiated against the Enron Companies.

D. Committees

1. Creditors' Committee

a. Appointment. On December 12, 2001, the U.S. Trustee appointed the Creditors' Committee pursuant to section 1102 of the Bankruptcy Code.

b. Original Composition. The original Creditors' Committee was composed of 15 of the largest unsecured creditors holding a variety of claims against the Debtors, including, but not limited to, bank debt, trade debt, and employment-related claims. Initially, the Creditors' Committee included: JP Morgan Chase & Co.; Citigroup/Citibank; ABN AMRO Bank; Credit Lyonnais; CSFB; National City Bank, as Indenture Trustee; Silvercreek Management, Inc.; Oaktree Capital Management, LLC; Wells Fargo, as Indenture Trustee; The Bank of New York, as Indenture Trustee; St. Paul Fire and Marine Insurance Company; National Energy Group, Inc.; Duke Energy Trading and Marketing, LLC; Mr. Michael P. Moran, individually and as representative; and The Williams Companies. At the organizational meeting on December 12, 2002, the Creditors' Committee appointed Wells Fargo and The Williams Companies as co-chairs.

c. Reconstitution. On December 24, 2001, the U.S. Trustee amended the appointment of the Creditors' Committee, effective as of December 10, 2001, by removing CSFB and adding West LB. On September 9, 2002, the appointment of the Creditors' Committee was again amended, effective as of September 10, 2002. This second amendment reflected (i) the removal of Mr. Michael P. Moran[26], (ii) the resignation of Citigroup/Citibank, and The Williams Companies, and (iii) the addition of Reliant Energy. The current co-chairs of the Creditors' Committee are Wells Fargo and Credit Lyonnais. In February 2003, Duke Energy Trading and Marketing, LLC and National City Bank, as Indenture Trustee, resigned from the Creditors' Committee. On September 4, 2003, the Creditors' Committee was officially reconstituted to reflect the February 2003 resignations.

d. Requests for Additional Committees. In February 2002, after requests made to the U.S. Trustee were denied, certain creditors of ENA and its subsidiaries engaged in the wholesale energy trading business filed motions and related pleadings before the Bankruptcy Court seeking the appointment of one or more separate creditors' committees. These creditors asserted that separate creditors' committees were warranted on the basis that, among other things, the Creditors' Committee did not adequately represent their interests. The Debtors, the U.S. Trustee, and the Creditors' Committee unanimously opposed these motions. The Bankruptcy Court indicated that it would not rule on such motions until after the ENA Examiner filed the ENA Examiner Interim Report addressing various inter-Debtor issues and potential for conflict from the vantage point of the ENA estate. By order dated June 21, 2002, the Bankruptcy Court denied all motions for separate creditors' committees. In denying these requests, the Bankruptcy Court noted: "[A]dding additional committees would likely intensify conflict and lead to further complication. This Court is disinclined to add committees to satisfy one group of creditors, a group that already has representation on the Creditors' Committee, only to create further discord, litigation and delay." The Bankruptcy Court's order was appealed by one creditor and has been fully argued to the U.S. District Court. No decision has been rendered on this appeal as of the date hereof.

e. Retention of Professionals. As of the date hereof, the Creditors' Committee has retained Milbank, Tweed, Hadley & McCloy LLP as legal counsel and Squire, Sanders & Dempsey L.L.P. as additional special conflicts counsel. The Creditors' Committee has also retained several other professionals including Houlihan Lokey Howard & Zukin Financial Advisors, Inc., as investment bankers; Ernst & Young LLP, as accountants; Ernst & Young Corporate Finance LLC, as restructuring advisors; McKool Smith, P.C. as special Texas litigation counsel; and InteCap, Inc., as damages consultant.

2. Employee Committee

a. Appointment and Scope. On March 27, 2002, the U.S. Trustee appointed the Employee Committee pursuant to sections 1102(a) and 1102(b) of the Bankruptcy Code for the limited purpose of investigating issues relating to (a) continuation of health or other benefits for former employees of the Debtors, (b) the investigation of claims uniquely held by employees, as such, against the Debtors, (c) the treatment of employees' claims under any

[26] Mr. Moran was appointed to the Employee Committee, effective March 27, 2002.

plan(s) of reorganization or liquidation, (d) possible WARN Act violations by the Debtors in discharging employees, (e) possible violation by the Debtors of state labor laws and certain provisions of ERISA, and (f) dissemination of non-confidential information relating to items (a) through (e) to employees, former employees, or groups thereof.

b. Original Composition. The original Employee Committee was composed of 5 members and included: Michael P. Moran, Esq.; Richard D. Rathvon; Diana S. Peters; Christie Patrick, Esq.; and State Street, in its capacity as special fiduciary for certain Enron plans.

c. Reconstitution. On March 29, 2002, the U.S. Trustee amended the appointment of the Employee Committee, effective as of March 29, 2002, by removing Christie Patrick, Esq. and adding Jess Hyatt.

d. Retention of Professionals. The Employee Committee has retained Kronish Lieb Weiner & Hellman LLP as counsel and McClain, Leppert & Maney, P.C. as special litigation counsel. The Employee Committee has also retained Crossroads, LLC as financial advisors; and Triad Communication, Inc. as communication specialists and consultants.

e. Severance Settlement Fund Litigation. Certain claims and causes of action arising from and relating to the payment of stay bonuses to certain of the Debtors' current and former employees were assigned to the Employee Committee and are the subject of litigation styled: (a) *Theresa A. Allen, et al. v. Official Employment-Related Issues Committee, Enron Corp., ENA, and Enron Net Works, L.L.C.*, Adv. No. 03-02084-AJG, currently pending in the Bankruptcy Court; (b) *Official Employment-Related Issues Committee of Enron Corp., et al. v. John D. Arnold, et al.*, Adv. No. 03-3522, currently pending in the United States Bankruptcy Court for the Southern District of Texas; (c) *Official Employment-Related Issues Committee of Enron Corp., et al. v. James B. Fallon, et al.*, Adv. No. 03-3496, currently pending in the United States Bankruptcy Court for the Southern District of Texas; (d) *Official Employment-Related Issues Committee of Enron Corp., et al. v. Jeffrey McMahon*, Adv. No. 03-3598, currently pending in the United States Bankruptcy Court for the Southern District of Texas; and (e) *Official Employment-Related Issues Committee of Enron Corp., et al. v. John J. Lavorato, et al.*, Adversary No. 03-3721, currently pending in the United States Bankruptcy Court for the Southern District of Texas.

3. Fee Committee

a. Appointment and Scope. By Order dated January 17, 2002, the Bankruptcy Court established procedures for the payment of interim compensation and the reimbursement of expenses of Chapter 11 Professionals. Subsequently, on April 26, 2002, the Bankruptcy Court entered an order establishing the Fee Committee.

The Fee Committee is authorized to (a) review and analyze interim and final fee applications filed by Chapter 11 Professionals in accordance with orders of the Bankruptcy Court; (b) monitor whether each Chapter 11 Professional develops agreed budgets with its client; (c) implement reasonable procedures for sufficiently reporting and applying for fees; and (d) file advisory reports with the Bankruptcy Court.

b. **Composition**. The Bankruptcy Court's April 26, 2002 order established the Fee Committee to be comprised of a Chairperson, appointed by the Bankruptcy Court and representatives appointed by each of the Debtors, the Creditors' Committee, the Employee Committee and the U.S. Trustee. At any time and from time to time, with or without notice, the Bankruptcy Court may alter the membership of the Fee Committee. Effective April 3, 2002, the Bankruptcy Court appointed Joseph Patchan to serve as Chairperson of the Fee Committee.

c. **Retention of Professionals**. The Fee Committee was authorized to employ professionals to assist the Fee Committee in the review and analysis of the fee applications and the budgets and to provide such other services as the Fee Committee, in its sole and absolute discretion, deems appropriate. The Fee Committee has employed one computer analyst firm and five individuals to assist the Fee Committee.

d. **Fee Applications**. The Fee Committee has established procedures for the submission and review of fee applications and the preparation of budgets by the Chapter 11 Professionals. Professional services are to be allocated among the respective Debtors and detailed by task codes established by the Debtors subject to the Fee Committee's concurrence. As a result of the Fee Committee's efforts, each fee application filed by a Chapter 11 Professional utilizes the same categorization and task codes.

The Fee Committee analyzes each fee application, emphasizing the reasonableness of fees in light of the tasks performed and the Chapter 11 Professional's and its client's duties and responsibilities. Following a dialogue between the Fee Committee and the Chapter 11 Professional, the Fee Committee prepares an advisory report for the Bankruptcy Court setting forth its issues and recommendations with regard to the fees and expenses set forth in the Chapter 11 Professional's application. The advisory report is not binding upon the Bankruptcy Court or any Chapter 11 Professional. Each Chapter 11 Professional may file with the Bankruptcy Court and submit to the Fee Committee a brief statement of the reason why it believes the Bankruptcy Court should or should not follow the advisory report's recommendation.

As of April 27, 2003, Chapter 11 Professionals have filed three interim fee applications. The Bankruptcy Court has approved an aggregate of approximately $210 million in fees for Chapter 11 Professionals for the first two interim fee applications. The Fee Committee has not yet completed its advisory reports for all the Chapter 11 professionals for the second interim fee application nor has it filed its advisory reports with respect to the Chapter 11 Professionals' third interim fee applications (covering the period from September 1, 2002 through December 31, 2002).

E. Avoidance Actions

Pursuant to the Bankruptcy Code, a debtor may seek to recover, through adversary proceedings in the Bankruptcy Court, certain transfers of the debtor's property, including payments of cash, made while the debtor was insolvent during the 90 days immediately prior to the commencement of the bankruptcy case (or, in the case of a transfer to or on behalf of an "insider," one year prior to the commencement of the bankruptcy case) in respect of antecedent debts to the extent the transferee received more than it would have received on account of such pre-existing debt had the debtor been liquidated under chapter 7 of the Bankruptcy Code. Such transfers include cash payments, pledges of security interests or other transfers of an interest in property. In order to be preferential, such payments must have been made while the debtor was insolvent; debtors are rebuttably presumed to have been insolvent during the 90-day preference period. The Bankruptcy Code's preference statute can be very broad in its application because it allows the debtor to recover payments regardless of whether there was any impropriety in such payments. A debtor must commence avoidance actions within two years of the date it files its bankruptcy petition.

There are, however, certain defenses to such claims. For example, transfers made in the ordinary course of the debtor's and the transferee's business according to ordinary business terms may not be recoverable. Furthermore, if the transferee extended credit contemporaneously with or subsequent to the transfer, and prior to the commencement of the bankruptcy case, for which the transferee was not repaid, such extension may constitute an offset against an otherwise recoverable transfer of property. If a transfer is recovered by a debtor, the transferee has a general unsecured claim against the debtor to the extent of the recovery.

Under the Bankruptcy Code and under various state laws, a debtor may also recover or set aside certain transfers of property (fraudulent transfers), including the grant of a security interest in property, made while the debtor was insolvent or which rendered the debtor insolvent or undercapitalized to the extent that the debtor received less than reasonably equivalent value for such transfer.

The Plan provides for all potential preference and fraudulent conveyance actions to be investigated and, to the extent determined to be actionable and material, to be pursued. In that regard, the Debtors have already undertaken a comprehensive and coordinated effort to identify, develop and pursue (if appropriate) avoidance actions in respect of payments, distributions and other transfers made by, or on behalf of, the Debtors up to one year prior to the Petition Date. With the active assistance and participation of bankruptcy counsel and certain of their other restructuring professionals, the Debtors have devoted (and will continue to devote) considerable time and resources to this effort. The Debtors anticipate that this process will continue following confirmation of the Plan. Given the size and complexity of the Chapter 11 Cases, the existence and/or merit of all avoidance actions were not and could not have been litigated prior to the Confirmation Date.

As part of the investigatory process, factual data and information concerning a vast array of transactions, payments and other transfers made, or engaged in, by the Debtors has been collected from a multitude of disparate sources, ranging from bank statements and computer-generated accounts payable detail to loan documentation, employment agreements and third-party invoices. All such data and information is being organized and subsequently analyzed for potential avoidance actions. Payments and other transfers made by the Debtors within 90 days of the Petition Date, for example, have been reviewed and reconciled against bank statements, invoices and other pertinent documentation to determine the existence of potentially preferential transfers under section 547 of the Bankruptcy Code.

In addition, in connection with the analysis of the Safe-Harbor Agreements, the Debtors conduct an avoidance review of each such agreement. This review is intended to identify potential preferences, fraudulent transfers, or other avoidable transactions related to the agreement. As a general proposition, section 546 of the Bankruptcy Code immunizes from avoidance many transfers related to Safe-Harbor Agreements. However, to the extent avoidable transactions not protected by section 546 are discovered, they are taken into account in reaching a settlement with the counterparty. Refer to Section IV.B.1., "Resolution of the Wholesale Trading Book" for further information.

Any Person (including but not limited to those Persons listed in response to Item 3 on the Statement of Financial Affairs for any Debtor) that has received a transfer of property in which any of the Debtors' estates has an interest during the appropriate look-back period should assume that the transfer is being investigated and that an avoidance action will be commenced if such action is deemed to have merit.

To date, the Debtors have commenced adversary proceedings in the Bankruptcy Court and/or sent demand letters to numerous parties seeking to recover preferential transfers or fraudulent conveyances. As the Debtors continue their diligence efforts, the Debtors anticipate that they will commence additional avoidance actions not reflected below.

Set forth below is a table listing currently pending adversary proceedings seeking to recover preferential transfers or fraudulent conveyances that are not otherwise discussed in this Disclosure Statement. Each of these adversaries are either in the very early stages of discovery or the deadline for filing an answer had not yet expired.

Vendor Preference Actions

Plaintiff	Defendant	Adversary Proceeding No.	Amount
Enron North America Corp.	A T KEARNEY	03-04583	$250,000.00
Enron Engineering & Construction Company	ABB LUMMUS GLOBAL INC	03-04569	$398,161.76
Enron Energy Services, Inc.	ACTION ELECTRIC CO INC	03-06295	$450,525.69
Enron Energy Services, Inc.	ADVANTAGE ENERGY GROUP INC	03-06264	$247,270.00
Enron Energy Services, Inc.	AMTECH LIGHTING SERVICES CO	03-06262	$25,766.18
Enron Broadband Services, Inc.	AVIOR NETWORKS INC	03-04578	$24,000.00
Enron Corp.	AVW, AUDIO VISUAL, INC.	03-08898	$139,274.04
Enron Energy Services, Inc.	CLIMATEC	03-06290	$107,100.00
Enron Net Works L.L.C	COMPLETE SOLUTIONS INC.	03-08897	$43,300.00
Enron Net Works L.L.C.	CONCHANGO TEXAS INC.	03-08883	$35,640.00
Enron Energy Services, Inc.	CONTROLLED AIR INC.	03-06291	$130,071.00
Enron Corp.	D'ARCY	03-04571	$746,016.92
Enron Net Works L.L.C.	DIAMOND CLUSTER INTL INC	03-08892	$3,315,547.00
Enron Corp.	DUN & BRADSTREET	03-08884	$49,894.14
Enron Net Works L.L.C.	DUN & BRADSTREET	03-08885	$235,243.48
Enron Broadband Services, Inc.	ELKINS TELECOM INC	03-08886	$20,000.00
Enron North America Corp.	ENSR CONSULTING & ENGINEERING	03-08887	$390,610.08
Enron Energy Services, Inc.	ENTERPRISE SERVICES CO.	03-08915	$29,094.75
Enron Net Works L.L.C.	ENTERPRISE SERVICES CO.	03-08916	$32,296.88
Enron Corp.	ENTEX	03-08881	$25,921.55

Enron Energy Services, Inc.	ENVIROCLEANSE SYSTEMS INC	03-06292	$20,486.11
Enron Corp.	FRAN D BERG MARKETING & SPECIAL EVENT, INC.	03-08896	$21,780.60
Enron North America Corp.	GREENFIELD HOLDING COMPANY LIMITED	03-04586	$3,466,000.00
Enron Corp.	GROM ASSOCIATES INC.	03-08917	$123,550.00
Enron North America Corp.	HAKLUYT & CO LTD	03-04585	$449,981.23
Enron Corp.	HAWICZ & STAIT	03-06625	$31,115.06
Enron Corp.	HILTON HOTELS CORPORATION	03-08895	$133,293.68
Enron North America Corp.	HYPO VEREINSBANK	03-08882	$74,861.11
Enron North America Corp.	INDUSTRA ENGINEERS & CONSULTANTS	03-08894	$66,268.28
Enron Net Works L.L.C.	INFORMATICA CORPORATION	03-08888	$317,136.34
Enron Corp.	INTELLIBRIDGE CORP.	03-08889	$75,000.00
Enron Broadband Services, Inc.	INVENSYS ENERGY	03-08891	$21,929.76
Enron Corp.	IT SOLUTIONS INC.	03-08911	$91,267.81
Enron Net Works L.L.C.	JEFFERSON ASSOCIATES, INC.	03-08908	$50,175.00
Enron North America Corp.	KIMBERLY ANN BROWN & ASSOCIATES	03-08918	$64,072.50
Enron Broadband Services, Inc.	LAI CONSTRUCTION SERVICES, INC.	03-08893	$204,138.00
Enron Energy Services, Inc.	LIGHTING AND ENERGY CONTROL	03-06293	$136,604.47
Enron Broadband Services, Inc.	MARCONI COMMUNICATIONS	03-04575	$849,463.05
Enron Corp.	MAREK BROTHERS SYSTEMS, INC.	03-08910	$84,508.76
Enron Net Works L.L.C.	MEDIA RECOVERY INC.	03-08909	$52,747.52
Enron Energy Services, Inc.	MOODY INTERNATIONAL INC	03-06294	$24,200.97
Enron Net Works L.L.C.	NETWORK INTERSTATE	03-08890	$21,583.15
Enron Energy Services, Inc.	O & M INDUSTRIES	03-06295	$408,215.70
Enron North America Corp.	PA CONSULTING GROUP	03-08906	$182,592.92
Enron Engineering & Construction Company	PAHARPUR COOLING TOWERS LIMITED	03-04584	$1,032,579.80
Enron Net Works L.L.C.	PCPC INCORPORATED	03-08905	$52,932.24
Enron Energy Services, Inc.	PERFORMANCE DESIGN LAB	03-08912	$63,337.68
Enron Corp.	PINKERTON SYSTEMS INTEGRATION	03-08904	$55,897.18
Enron Corp.	PM INDUSTRIAL ECONOMICS D/B/A PM KEYPOINT LLC	03-08868	$29,105.05
Enron Net Works L.L.C	PRINCETON CONSULTANTS	03-06627	$21,417.77
Enron Energy Services, Inc.	PRITCHETT RUMMLER-BRACHE INC	03-08903	$433,964.30
Enron Broadband Services, Inc.	REDBACK NETWORKS	03-04581	$1,081,103.35
Enron Energy Services, Inc.	SALIENCE ASSOCIATES	03-06297	$373,317.51
Enron Energy Services, Inc.	SOUTHEASTERN ELECTRIC INC.	03-08870	$57,062.00
Enron Corp.	SPHERION CORPORATION	03-08902	$21,250.00
Enron Energy Services, Inc.	STURGEON ELECTRIC CO. INC.	03-08869	$35,270.00
Enron Broadband Services, Inc.	SUN MICROSYSTEMS	03-08919	$113,089.67
Enron Corp.	SUN MICROSYSTEMS	03-08913	$85,127.10
Enron Energy Services, Inc.	SUN MICROSYSTEMS	03-08899	$789,059.32
Enron Net Works L.L.C.	SUN MICROSYSTEMS	03-08901	$1,178,338.77
Enron Energy Services, Inc.	TALENT TREE	03-06266	$6,536,739.99
Enron Energy Services, Inc.	TECHNICAL SOLUTIONS & SERVICES	03-06289	$945,649.26

Enron Corp.	TECHNIQUES INC.	03-08875	$76,788.00
Enron Net Works L.L.C.	TELERATE D/B/A MONEYLINE TELERATE	03-08900	$517,948.70
Enron Broadband Services, Inc.	THE ADCETERA GROUP	03-08874	$32,515.73
Enron Corp.	THE ADCETERA GROUP	03-08873	$24,314.86
Enron Engineering & Construction Company	THE NICHOLAS GROUP/RANDALL ALTON	03-06622	$25,000.00
Enron Corp.	THE TRAVEL AGENCY IN THE PARK	03-06628	$1,065,000.00
Enron Energy Services, Inc.	THERMAL TRANSFER CORP	03-06302	$237,433.00
Enron Energy Services, Inc.	TRENT MECHANICAL CO INC	03-06257	$375,501.60
Enron Energy Services, Inc.	TRIDIUM INC.	03-08914	$65,700.00
Enron Energy Services, Inc.	UNILOY MILACRON	03-06256	$168,315.00
Enron Corp.	UNITED COMPUTING GROUP	03-08872	$21,594.22
Enron Net Works L.L.C.	UNITED COMPUTING GROUP	03-08907	$1,427,143.95
Enron Transportation	VAN STEVEN DICKERSON	03-08871	$20,100.00
Enron Energy Services, Inc.	VARO ENGINEERS, LIMITED	03-06255	$180,088.04
Enron Engineering & Construction Company	VERIZON COMMUNICATIONS INC.	03-08878	$57,180.48
Enron Net Works L.L.C.	VERIZON COMMUNICATIONS INC.	03-08877	$155,067.18
National Energy Production Corporation	VERIZON COMMUNICATIONS INC.	03-08876	$116,718.58
Enron Energy Services, Inc.	WINKLER AMMONIA REFRIGERATION &	03-06254	$34,500.00
Enron Net Works L.L.C.	YANTRA CORPORATION	03-08880	$213,434.36
Enron North America Corp.	YANTRA CORPORATION	03-08879	$141,374.44
Enron Energy Services, Inc.	ZEKS COMPRESSED AIR SOLUTIONS	03-06253	$126,737.59
		TOTAL:	$31,654,402.21

In addition to the pending avoidance actions, as of September 5, 2003, the Debtors had sent approximately 92 demand letters seeking the recovery of approximately $2.097 billion from approximately 7 financial institutions and 85 trade and other creditors. One of these demand letters has resulted in a settlement, leaving outstanding demand letters seeking to recover approximately $2.084 billion.

As part of their efforts to streamline the procedures relating to avoidance actions, the Debtors obtained approval of procedures governing settlement of avoidance actions. Under the procedures, settlement of actions where the face amount of the transfer is less than $200,000 would be accomplished without notice or further order of the Bankruptcy Court; provided, however, the Debtors will file monthly schedules summarizing all settlements under $200,000. Settlements of avoidance actions where the face amount of the transfer is between $200,000 and $1 million would be deemed approved absent any timely, written objection after ten days prior written notice. For proposed settlements where the face amount of the transfer was greater than $2 million, the Debtors would be required to obtain a prior agreement of the Creditors' Committee as to the fairness and reasonableness of any proposed settlement and would, thereafter, seek Bankruptcy Court approval of the settlement by way of a motion filed pursuant to Bankruptcy Rule 9019.[27] The Debtors will also seek Bankruptcy Court approval of all settlements over $1 million.

In the event the Debtors were to prevail on a significant portion of the potential avoidance actions, substantial funds would be recovered by the Debtors' estates. However, the Debtors' cannot predict the outcome of these avoidance actions, nor the amounts that may be realized therefrom either from recoveries on judgments or settlements.

Refer to Section IV.C.1.b., "Pending Preference and Avoidance Actions" for information regarding other pending avoidance actions.

F. Related U.S. Bankruptcy Proceedings

1. New Power Company

a. New Power Company. On or about March 28, 2002, the Bankruptcy Court entered an order authorizing and approving the settlement of all amounts owed by New Power Holdings, Inc. and NPW to ENE, EESI, ENA, and EPMI pursuant to certain commodities contracts between the parties. The settlement provided that: (a) the Enron parties would retain the $70 million of the NPW parties' security deposits in their possession; and (b) the NPW parties would issue a $28 million promissory note, payable to the Enron parties for the balance. The NPW parties filed for chapter 11 protection on June 11, 2002, in the Georgia Bankruptcy Court, triggering payment of the promissory note.

The amounts due and payable pursuant to the promissory note were subject to a cash collateral order dated July 11, 2002, issued by the Georgia Bankruptcy Court. Pursuant to the terms of that cash collateral order, on or about November 4, 2002, the NPW parties paid the Enron parties $28,485,958.30, representing the outstanding principal and interest then due pursuant to the promissory note. On or about January 15, 2003, the NPW parties paid the Enron parties $137,000, representing the expenses payable in connection with the promissory note.

On or about January 13, 2003, the Georgia Bankruptcy Court appointed the NPW Examiner in the purchasers' bankruptcy cases, and authorized him to investigate, file and take appropriate action with respect to certain issues, including whether the claim of the Enron parties in connection with the settlement should be recharacterized as equity. A recharacterization of the sellers' claim by the NPW Examiner could significantly reduce the amount of such claim. As of the date hereof, the NPW Examiner's review is continuing.

2. EOTT

On October 8, 2002, EOTT Energy Finance Corp., EOTT Energy General Partner, LLC, EOTT Energy Operating Limited Partnership, EOTT Energy Canada Limited

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27 For purposes of the proposed procedures, "avoidance actions" do not include (a) any actions that may be commenced against any insider of the Debtor; (b) any actions that may be commenced against any affiliate of the Debtors or their insiders; (c) any actions that may be commenced against any current or former employee of the Debtors or their past or present affiliates; (d) any action that has been or may be commenced by the Creditors' Committee; or (e) any of the cases that are currently subject to mediation.

Partnership, EOTT Energy Pipeline Limited Partnership, EOTT Energy Liquids, L.P. each filed a chapter 11 bankruptcy petition in the Corpus Christi Bankruptcy Court. On October 21, 2002, EOTT Energy Corp. filed its chapter 11 petition in the Corpus Christi Bankruptcy Court. On February 18, 2003, the Corpus Christi Bankruptcy Court confirmed the EOTT Debtors' plan of reorganization, which became effective on March 1, 2003.

On October 8, 2002, the Debtors entered into a comprehensive settlement agreement effectively divorcing EOTT Energy Corp. and affiliated entities from ENE, ENA, EESI, EGLI, and certain non-Debtors. Bankruptcy Court approval of this settlement was obtained on December 5, 2002 over opposition by certain claimants in the EOTT Debtors' chapter 11 cases. An order approving the settlement agreement had previously been entered by the Corpus Christi Bankruptcy Court on November 22, 2002. Besides saving the Debtors' estates the future costs of claims litigation, the approved settlement agreement included a comprehensive release of current and future claims, indemnification for potential claims related to formerly cooperative pipeline operations, and consideration paid to the Debtors in the form of $1.25 million in cash, the delivery of a $6.2 million promissory note, and cash settlement of certain invoices. Execution of the settlement agreement itself also involved the execution of several related agreements concerning the consensual transition of employees between the parties, the termination of certain operating agreements between the parties, the execution of the promissory note, the delivery of letters of credit and the releases of liens. The closing of the settlement agreement occurred on December 31, 2002.

3. LJM2

On September 25, 2002, LJM2 filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the LJM2 Bankruptcy Court, thereby commencing case number 02-38335-SAF. On or about December 2, 2002, ENE filed a proof of claim in the LJM2 bankruptcy proceedings, in which ENE asserted, on behalf of itself and ENA, Porcupine I LLC, Fishtail LLC, and Annapurna LLC, a contingent, unliquidated claim against LJM2. The allegations regarding ENE's transactions with LJM2 set forth in the Second ENE Examiner's Report serve as the basis for ENE's claim against LJM2. LJM2 has filed an objection to ENE's proof of claim and discovery is ongoing. The LJM2 Bankruptcy Court has converted the objection to ENE's claim to an adversary proceeding, and ENE must file an amended claim pleadings its asserted damages with particularity by October 17, 2003.

On or about April 18, 2003, LJM2 filed its Disclosure Statement to Accompany First Amended Liquidating Plan of Reorganization Filed by LJM2 Co-Investment, L.P. On May 15, 2003, the LJM2 Bankruptcy Court approved LJM2's disclosure statement. On August 18, 2003, the LJM2 Bankruptcy Court confirmed LJM2's proposed liquidating plan of reorganization. Pursuant to the plan, LJM2 will transfer substantially all of its assets into two trusts, Trust A and Trust B, for the benefit of its creditors. Trust A will consist of most of LJM2's assets, including cash and cash equivalents, investments, insurance policies, insurance claims, avoidance actions (other than those against LJM2's limited partners and special limited partner), and certain rights of action. Trust B will consist of LJM2's rights under its partnership agreement, including the right to seek capital contributions from its limited partners and to bring certain avoidance actions against the limited partners and its special limited partner. Under the LJM2 plan, ENE would receive a beneficial interest in Trust A to the extent and in the amount of its allowed claim and would be entitled to receive its pro rata share of distributions from Trust A. ENE would not receive any distributions from Trust B.

Because of the ongoing dispute with respect to ENE's proof of claim in the LJM2 bankruptcy, the uncertainty with respect to the value of the assets to be transferred to Trust A, and the amount of other claims to be satisfied by distributions from Trust A, ENE cannot predict what, if anything, it will receive on account of its claims against LJM2.

V. Certain International Subsidiaries and Related International Proceedings

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. General Overview

Prior to the Initial Petition Date, the Enron Companies' presence outside of the United States was widespread. ENE, through its various subsidiaries, operated in approximately 70 countries outside of the United States and in many cases incorporated or otherwise formed entities domiciled in these jurisdictions. As of the Initial Petition Date, approximately 45% of ENE's 2,400 direct and indirect subsidiaries were Foreign Affiliates. A significant portion of these approximately 1,100 Foreign Affiliates were incorporated in the United Kingdom, the Cayman Islands, and the Netherlands.

Since the Initial Petition Date, the Enron Companies have engaged in a systematic analysis of these Foreign Affiliates that has resulted in many of them having been dissolved, identified for dissolution, or sold. In addition, on November 29, 2001, and on various dates thereafter, certain Foreign Affiliates in England went into administration. Within a short period following the Initial Petition Date, various other Foreign Affiliates had also commenced (either voluntarily or involuntarily) insolvency proceedings in Australia, Singapore, and Japan. Additional filings have continued world-wide and insolvency proceedings for Foreign Affiliates are continuing for various companies registered in Argentina, Belgium, Bermuda, Canada, the Cayman Islands, Denmark, France, Germany, Hong Kong, India, Italy, Mauritius, the Netherlands, Norway, Peru, Spain, Sweden, and Switzerland.

At present, no worldwide integrated treaty governing cross-border insolvency law exists. Each country normally has its own set of laws dealing with insolvency and restructuring, and a developing set of rules as to each country's approach to the recognition of insolvency regimes from other jurisdictions. Virtually all foreign insolvency proceedings are markedly different from the United States chapter 11 process. In the United States, proof of insolvency is not required to commence a chapter 11 case and an established mechanism exists for financiers to provide debtor-in-possession financing in return for super-priority claim status. Moreover, the Bankruptcy Code provides a chapter 11 debtor and its creditor constituencies with flexibility to negotiate the terms of a chapter 11 plan. In contrast, in most foreign jurisdictions, there is no direct equivalent to chapter 11. Instead, the available insolvency proceedings in most jurisdictions tend to more closely resemble chapter 7 of the Bankruptcy Code. Some of the primary differences between chapter 11 proceedings in the United States and foreign insolvency proceedings include: (a) in many cases, insolvency of the company must be alleged before the foreign proceedings are commenced; (b) it is very uncommon for the debtor to stay in possession or control of the company once a foreign insolvency proceeding has been commenced; (c) it is very uncommon for a debtor to be able to put in place debtor-in-possession financing overseas, making it harder to inject funds into insolvent companies to preserve and/or maintain the value of the assets; (d) in many European and Latin American jurisdictions, managers and directors of a company may be obliged by local law to petition for insolvency if the company is actually insolvent; and (e) there is much less flexibility in determining the ultimate recovery under a scheme or plan designed to distribute assets and satisfy claims.

In light of the inherent differences between chapter 11 proceedings and most foreign insolvency proceedings, along with the fact that there is no overriding international treaty to harmonize cross-border insolvencies or restructurings, extensive work with insolvency practitioners and counsel in some foreign jurisdictions has been required in order to coordinate the process.

Once a Foreign Affiliate is placed into a foreign insolvency proceeding, control of the Foreign Affiliate along with the management and distribution of its assets will generally be transferred to an insolvency practitioner, such as an administrator, receiver, or liquidator. Thus, commencement of most foreign proceedings results in a loss of ultimate control by the Debtors over the assets of the Foreign Affiliate. Therefore, communication with foreign insolvency practitioners and foreign counsel is an integral component to ensure that the interests of the estate are protected and to assist the process of reaching overall strategic goals for the Debtors.

Most foreign proceedings are, for the reasons previously set out, unlikely to realize a great deal of value for creditors. Recoveries to unsecured creditors of 2 or 3% are not uncommon in foreign proceedings and it is unusual to obtain recoveries of over 50%. Active steps have been taken to keep Foreign Affiliates with valuable assets out of foreign proceedings where possible.

In some cases, joint filings both in the United States and in the foreign jurisdiction have been utilized to protect an entity's assets.

B. Summary of Subsidiaries and Related Proceedings in England, The Cayman Islands and The Netherlands

The three most significant jurisdictions outside of the United States in terms of numbers of Enron Companies as of the Initial Petition Date were England, the Cayman Islands, and the Netherlands. A summary of the activity undertaken in those countries along with details of the Foreign Affiliates currently in insolvency proceedings is set out below.

1. England

England was a key jurisdiction for ENE's activities in Europe. The majority of ENE's investments into Europe were made indirectly through EEL, which was the senior holding company in England. ENE made advances to ENHBV, which lent on these funds to EEL. EEL was placed into administration by the English court on November 29, 2001 and its administrators are partners of PwC UK. ENHBV is owed approximately $1.2 billion by EEL and EEL's administrators are currently estimating a dividend to creditors in the range of 2.9 to

4%. The ENHBV claim has not yet been agreed with EEL's administrators. The companies that are held directly or indirectly by EEL have been outside the control of ENE since November 29, 2001 by virtue of the appointment of PwC UK in respect of EEL and other English entities. As of the Initial Petition Date, there were 188 such entities, of which approximately 30 are currently subject to an insolvency proceeding. ENE's most significant recovery from an English entity is likely to be by virtue of its claim against Keresforth Three Limited (formerly EMGL), which is also in administration. ENE has a claim of approximately $634 million against Keresforth Three Limited and according to estimates from PwC UK it can expect to recover in the region of $254 million to $336 million. The Debtors may also recover certain amounts as creditors of Foreign Affiliates in other insolvency proceedings in England. The estimated recovery for these Debtors ranges from $13,000 to $3.1 million (see Table at C. below). However, at this stage, the timing and amount of any distribution is uncertain since many insolvency proceedings relating to these Foreign Affiliates are at a preliminary stage.

2. Cayman Islands

As of the Initial Petition Date, there were 696 Enron Companies incorporated in the Cayman Islands, a significant number of which have now been dissolved or are due to be dissolved. Cayman entities were frequently used as holding companies in projects and other group structures for tax reasons. In almost all cases, a particular entity would only be concerned with a single project. A notable exception is EDF, which provided inter-company funding to group projects as described in more detail below.

EDF was incorporated in July 1995 to provide inter-company financing to international projects. EDF is a Debtor and was placed into provisional liquidation in the Cayman Islands on July 17, 2003. An order was entered on July 28, 2003 by the Bankruptcy Court approving a fee protocol which allocates responsibility for the compensation and reimbursement of expenses for professionals retained by EDF, between the Bankruptcy Court and the Cayman Islands court. EDF's assets consist primarily of receivables under various promissory notes from consolidated subsidiaries within the Enron Companies with a face value of approximately $1.9 billion and investments in consolidated subsidiaries within the Enron Companies of approximately $315 million. EDF has provided financing, either directly or to companies associated with, the Cuiabá Project, Elektro, BLM, and Accroven. The benefit of this financing may be transferred to Prisma. Refer to Section X., "Prisma Energy International Inc." for a description of Prisma. As referred to above, under the terms of the Plan, receivables which would otherwise have flowed to EDF from the project financing referred to above will be assigned to Prisma for value. EDF's liabilities consist primarily of amounts payable under various promissory notes with a face value of approximately $2.1 billion to consolidated subsidiaries and associated companies within the Enron Companies including other Debtors.

Along with EDF, both LNG Shipping and India Holdings are in provisional liquidation in Cayman as well as being Debtors.

The assets of LNG Shipping, consisting of time charters in two vessels, were sold to a third party for $21.5 million and $1.5 million, respectively.

India Holdings served as one of the entities through which ENE's equity was held in Dabhol Power. Dabhol Power is in receivership and is believed to be insolvent. ENE has signed a letter of intent with certain of the other Dabhol Power shareholders (affiliates of General Electric and Bechtel), as well as the U.S. Government's Overseas Private Investment Corporation, to sell, in stages, its 65.86% stake (which would affect the ownership of India Holdings), together with other Enron affiliate construction claims relating to Dabhol Power, for approximately $20 million. In addition, a comprehensive settlement agreement providing for the rescission of certain commercial political risk insurance policies related to the Indian investment and returns of premiums to ENE paid over time, plus interest, was signed on August 12, 2003, and closing is expected in November 2003.

Enron Bahamas LNG is in official liquidation and its assets have been sold. The assets, consisting of rights and interests in a proposed LNG project in the Bahamas were sold to a third party. Hawksbill Creek LNG Limited, which is a Bahamian entity, is an indirect subsidiary of Enron Bahamas LNG that held rights and interests related to the LNG project, and the Debtors are owed approximately $5 million as creditors of this company. Creditors of Enron Bahamas LNG and Hawksbill Creek LNG Limited are expected to receive a distribution of approximately 80% of their claim values. However, creditors may be paid in full, and the Debtors may receive up to about $12 million through the equity interest of Global LNG, depending on payment of additional contingent consideration that is payable upon certain project construction milestones being achieved.

3. The Netherlands

As of the Initial Petition Date, approximately 141 of the Enron Companies were incorporated in the Netherlands, many of which have now been dissolved or are due to be dissolved. Dutch entities were frequently used as holding companies in projects and other group structures for tax reasons. In almost all cases, a particular entity would only be concerned with a single project. The most notable exception is ENHBV, which provided inter-company funding to group projects as described in more detail below.

ENHBV is a wholly owned subsidiary of ENE. The sole director of ENHBV is Equity Trust, which is a Dutch management trust company. ENHBV was set up to provide financing to various international subsidiaries and projects. ENHBV is not currently in an insolvency proceeding.

ENHBV's primary assets comprise amounts receivable under various promissory notes with Enron Companies with a face value of approximately $2 billion as of June 30, 2003. The largest debtor of ENHBV is EEL, which owes ENHBV approximately $1.2 billion. EEL was the principal ENE-related holding company in Europe, and it was through EEL that a significant proportion of ENE's funding and investment in Europe was directed. EEL is in administration in England and partners of PwC UK are acting as the administrators. The ENHBV claim against EEL has not yet been agreed by the administrators. As stated above, the administrators have estimated that the unsecured creditors of EEL will receive distributions of between 2.9 to 4%.

ENHBV has provided financing either directly or to associated companies of the Cuiabá Project, Trakya, and GTB, which, under the terms of the Plan, are to be transferred to Prisma. Refer to Section X., "Prisma Energy International Inc." for further information.

ENHBV's liabilities are comprised of amounts payable under various promissory notes with a face value of approximately $1.8 billion (as of June 30, 2003) due mainly to Enron affiliates as well as several third party creditors. ENHBV's major creditor is ENE, which has a claim for approximately $1.2 billion.

Under the Plan, ownership of ENHBV will be transferred to Prisma. The Plan also provides for an assignment of the claims of all ENE- controlled creditors of ENHBV to be made to Prisma for value under the Plan. An assignment of the ENE-controlled claims will result in Prisma controlling approximately 76%-78% of the value of ENHBV's creditor pool. ENE, working together with Equity Trust, is continuing discussions with third-party creditors to settle their claims. It is hoped that the resolution of negotiations with third-party creditors will result in ENE, and ultimately Prisma, having control of in excess of 95% of the liabilities of ENHBV.

If the settlement discussions referred to above are not successful then it may be necessary for ENHBV to seek the protection of the Dutch courts and to enter into a moratorium proceeding with a view to implementing a composition with creditors to effect a reorganization of ENHBV. As currently advised, ENE believes that it controls sufficient votes to pass a composition and to thereby effect a reorganization of ENHBV in this way. If, however, it were unable to do so there is a risk that ENHBV would be placed into liquidation, in which case the trustee in bankruptcy may make a call on funds that have been loaned to companies that are to be transferred to Prisma under the Plan. It follows that in such circumstances there is a risk that bankruptcy proceedings in respect of ENHBV may have the effect of reducing the value of the relevant project.

C. Summary of Foreign Proceedings Where a Direct Recovery Is Anticipated To Be Received by the Debtors

Set out below is a summary table showing each of the Foreign Affiliates that is currently in an insolvency proceeding where it is anticipated that the Debtors as a group will receive a recovery as a creditor and/or as a shareholder. Except as otherwise set out above, the estimated maximum distribution to a single Debtor as a creditor (of one of the Foreign Affiliates listed below) is $3.4 million. The maximum estimated percentage recovery for a single Debtor as a creditor of the Foreign Affiliates below is approximately 80%. However, the rate of recovery by Debtors from a substantial number of the Foreign Affiliates remains uncertain since insolvency proceedings for these companies have not been finalized. The recoveries from most of the Foreign Affiliates listed below are expected to be modest for the reasons set forth in Section VI.A., "Compromise and Settlement of Disputes; Substantive Consolidation; Assumption of Obligations Under the Plan". As stated above, in many cases there remains considerable uncertainty as to the timing and amount of any distribution to creditors and/or shareholders.

Jurisdiction	Company	Estimated Recovery for Debtors	
		As Creditor	As Shareholder
Australia			
	Enron Australia Finance	$127,790	Nil
	Enron Coal Asia	$992 received by ENE on March 13, 2003	Nil
Bahamas			
	Hawksbill Creek LNG Limited	$4,168,517	Nil
Bermuda			
	Enron Re	Unknown	Unknown
Canada			
	EES Canada	$126,279	Nil
Cayman Islands			
	EDF	Unknown	Nil
	LNG Shipping	0	$23 million to Global LNG (less liquidation expenses)
	Enron Bahamas LNG	0	Up to $12 million to Global LNG (depending on contingent consideration)
Denmark			
	EBS Denmark	Unknown	Nil
England			
	Enron Broadband Services UK Limited	$25,049 to $50,098	Nil
	Enron Broadband Services Marketing Limited	Unknown	Dividends are expected once creditors have been paid in full.
	ECTRL	$356,101 to $1,424,405	Nil
	Enron Direct Limited	$286,119 to $572,239	Nil
	EEL	$233,712 to $322,361	Nil
	Enron Gas & Petrochemicals Trading Limited	$21,902 to $43,804	Nil
	Keresforth Three Limited (formerly EMGL)	$254 to $336 million	Nil
	EMC	$2,374,200 to $3,165,600	Nil
	Enron Power Operations Limited	$328,008 to $562,301	Nil
	NEPCO Europe Limited	Unknown	Nil
	TME Engineers Limited	Unknown	Nil
	TME Northern Limited	Unknown	Nil
	Enron Coal Services Limited	Unknown	Nil
	TME Torpy Limited	Unknown	Nil
	Enron Credit Limited	$13,702 to $18,269	Nil
	Enron Energy Services Engineering UK Limited	Unknown	Dividends are expected once creditors have been

Jurisdiction	Company	Estimated Recovery for Debtors	
		As Creditor	As Shareholder
			paid in full.
	SIB2 Limited	Unknown	Nil
Finland			
	EFEO	ECTRIC has received a distribution of € 931,680	Nil
France			
	EBS France	Unknown	Nil
	EGLE	Unknown	EGLI may receive a dividend once creditors have been paid in full.
Germany			
	EES Deutschland	Unknown	Nil
	EBS Deutschland	Unknown	Nil
	Enron Energie	Unknown	Nil
	Enron Direkt	Unknown	Nil
Hong Kong			
	Enron (China) Limited	$67	Nil
	EBS Hong Kong	$306	Nil
India			
	Dabhol Power	See above discussion	Nil
Italy			
	Enron LPG Italy	Unknown	ENA may receive a dividend once creditors have been paid in full.
	Enron Energia Sud	Unknown	Nil
Japan			
	Enron Japan Corp.	¥ 195,619 received by Enron Expat Services Inc., Yen 10,803 received by ENW, ¥ 1,263,062 received by EGM, ¥ 3,999,290 received by ENE and ¥ 2,042,524 received by ENA on October 17, 2002	Nil
Mauritius			
	Enron Mauritius	See above discussion for Dabhol Power	Nil
The Netherlands			
	EES Europe	Unknown	Nil
	Enron Power Services BV	Unknown	ACFI may receive a dividend once creditors have been paid in full.
Singapore			
	ECT Singapore	Unknown	EGLI may receive a dividend once creditors have been paid in full.
	EIEA	Unknown	Nil

Jurisdiction	Company	Estimated Recovery for Debtors	
		As Creditor	**As Shareholder**
	EBS Asia Pacific	Unknown	Nil
Spain			
	Enron Espana	Unknown	Nil
	Enron Directo SA[1]	Unknown	Nil
Sweden			
	EES Sweden	Unknown	Nil
	Enron Broadband Services Sweden AB	Unknown	Nil

[1] This company is in administration in the United Kingdom with partners of PwC UK appointed as administrators.

D. Summary of Foreign Proceedings Where the Debtors Are Not Expected To Receive Any Direct Recovery

Set out below is a list of the Foreign Affiliates that are currently in an insolvency proceeding where it is not expected that the Debtors will make a recovery either as a creditor or as a shareholder.

Jurisdiction	Company
Argentina	
	Azurix Buenos Aires[1]
	OBA
Australia	
	Enron Australia Energy
Bahamas	
	Enron Bahamas LNG Holdings Limited
Canada	
	EDCC
Cayman Islands	
	Enron Bahamas Co. Ltd.
	India Holdings
England	
	Caxios Limited
	ECT Espana Limited
	Rassau Power Limited
	ECT Spain Limited
	Enron Energy Services Limited
	Energydesk.com Limited
	Enron Europe Severnside Limited
	Prime Operative Limited

Jurisdiction	Company
Germany	
	EMGH
Hong Kong	
	Enron (HK) Limited
Italy	
	EES Italy
	Alfa Investimenti S.r.l.
	Enron Investimenti S.r.l.
	Enron Investimenti 3 S.r.l.
The Netherlands	
	Enron Direct Netherlands BV
	Enron Energy Services Netherlands BV
Peru	
	EMC Peru
Switzerland	
	Enron Energie Schweiz

[1] Azurix Buenos Aires is not an affiliate of the Debtors, but instead a wholly owned subsidiary of Azurix.

E. Foreign Affiliates Not Yet in Foreign Proceedings Where a Direct Recovery May Be Received by the Debtors

The Debtors may also receive distributions as a creditor and/or shareholder from Foreign Affiliates not currently in an insolvency proceeding. It is not known whether these Foreign Affiliates will commence an insolvency proceeding and, therefore, the timing and amounts of such recoveries to creditors and/or shareholders is not presently known.

For example, as discussed above at B.3., ENHBV has a claim against EEL for $1.1 billion. Since ENE holds more than 60% of the total value of claims against ENHBV, it is anticipated that ENE will, over time, recover significant value from ENHBV although the timing and amount of any recoveries are not able to be estimated.

VI. Summary of Debtors' Chapter 11 Plan

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Compromise and Settlement of Disputes; Substantive Consolidation; Assumption of Obligations Under the Plan

1. Compromise and Settlement

The Plan incorporates a proposed compromise and settlement of certain issues disputed by the Proponents, the Creditors' Committee, the ENA Examiner and other parties in interest. Refer to Section I.B.2., "Global Compromise Embodied in the Plan" for further information. These issues include whether the estates of each of the Debtors should be treated separately for purposes of making payments to Creditors, whether and to what extent proceeds from the liquidation of assets, including claims and causes of action or from the Sale Transactions should be allocated among the Debtors based upon their respective claims of ownership to such assets, and the amount, allowance and priority of certain Intercompany Claims. The provisions of the Plan relating to substantive consolidation of the Debtors, the treatment of Intercompany Claims, and the treatment of each Class of Claims under the Plan reflect this compromise and settlement, which, upon the Effective Date, shall be binding upon the Debtors, all Creditors, and all Entities receiving any payments or other distributions under the Plan. Without limiting the foregoing, the Plan and the definitions of "Distributive Assets," "Enron Guaranty Distributive Assets," "Wind Guaranty Distributive Assets" and "Intercompany Distributive Assets" set forth in Article I of the Plan incorporate the following salient provisions of such compromise and settlement:

a. Substantive Consolidation. The Plan Currency to be distributed to each holder of an Allowed General Unsecured Claim against each Debtor, other than the Portland Debtors, shall equal the sum of (i) 70% of the distribution such holder would receive if the Debtors, other than the Portland Debtors, were not substantively consolidated and (ii) 30% of the distribution such holder would receive if all of the Debtors' estates, other than the estates of the Portland Debtors, were substantively consolidated and one-half of Enron Guaranty Claims and Wind Guaranty Claims were allowed.

b. Related Issues. The compromise and settlement of the substantive consolidation issue set forth in the Plan encompasses a global settlement of numerous issues related to or impacted by substantive consolidation, including, without limitation, characterization of Intercompany Claims, treatment of Enron Guaranty Claims and Wind Guaranty Claims, transactions involving certain of the Debtors' structured-finance transactions and ownership of certain claims and causes of action.

(i) Intercompany Claims. The Plan Currency to be allocated to each holder of an Intercompany Claim against another Debtor shall equal 70% of the distribution such holder would receive if the Debtors were not substantively consolidated.

(ii) Enron Guaranty Claims/Wind Guaranty Claims. The Plan Currency to be distributed to each holder of an Allowed Enron Guaranty Claim or an Allowed

Wind Guaranty Claim shall equal the sum of (i) 70% of the distribution such holder would receive if the Debtors, other than the Portland Debtors, were not substantively consolidated and (ii) one-half of 30% of the distribution such holder would receive if all of the Debtors' estates, other than the estates of the Portland Debtors, were substantively consolidated and one-half of such Claims were allowed.

(iii) Ownership of Certain Assets. For purposes of calculating the Distributive Assets of ENE and ENA, the Debtors shall take, or cause to be taken, such action as is appropriate to reflect that: (a) ENA's Assets shall include ENE's preferred stock interests in Enron Canada, either through a capital contribution or otherwise; (b) the preferred stock interests in Enron Canada held by ECPC and the preferred stock interests in ECPC held by Enron Canada shall be deemed cancelled or otherwise returned to their respective issuers; provided, however, that, if such cancellation or return leaves ECPC with insufficient funds to satisfy third-party obligations, Enron Canada shall contribute such monies to ECPC as are necessary as to satisfy such third-party obligations; (c) to the extent that proceeds are received in connection with the sale or contribution of CPS, ENE and ENA Assets shall each include 50% of the proceeds thereof, net of the payment of third-party obligations; and (d) to the extent that proceeds are received in connection with the sale or contribution of Bridgeline Holdings, ENA's Assets shall include all the proceeds thereof, net of the payment of third-party obligations.

(iv) Ownership of Certain Litigation Claims. The Litigation Trust Claims and the Special Litigation Trust Claims shall be deemed owned by all of the Debtors, other than the Portland Debtors, and the proceeds therefrom, if any, shall be distributed ratably, on a Consolidated Basis, to holders of Allowed General Unsecured Claims, other than those against the Portland Debtors.

c. Plan Currency. By virtue of and integral to the compromise and settlement of the substantive consolidation issue set forth in the Plan, except as provided in Section 7.2 of the Plan with respect to ENA and certain of its subsidiaries, each holder of an Allowed Unsecured Claim against each Debtor, other than the Portland Debtors, shall receive the same Plan Currency regardless of the asset composition of such Debtor's estate on or subsequent to the Effective Date.

d. Inter-Debtor Waivers. By virtue of and integral to the compromise and settlement of the substantive consolidation issue set forth in the Plan, on the Effective Date, (i) each Debtor shall waive any defense, including, without limitation, defenses arising under sections 502(d) and 553(a) of the Bankruptcy Code, to Intercompany Claims asserted by another Debtor, (ii) Intercompany Claims between reciprocal Debtors shall be deemed to be mutual claims arising prior to the Initial Petition Date for purposes of setoff and (iii) each of the Debtors shall waive its right to receive distributions on any claims and causes of action such Debtor may have against another Debtor arising in accordance with sections 509, 544, 547, 548 and 553(b) of the Bankruptcy Code, without waiving or releasing any claims and causes of action against non-Debtor parties.

e. Governance. By virtue of and integral to the compromise and settlement of the substantive consolidation issue set forth in the Plan, the boards of the respective Entities contemplated pursuant to the Plan represent the interests of Creditor constituencies and provide protections to safeguard the interests of such constituencies.

2. Non-Substantive Consolidation

On the Effective Date, the Debtors' estates shall not be deemed to be substantively consolidated for purposes of the Plan; provided, however, that, as part of the compromise and settlement embodied in the Plan, holders of Allowed Claims and Allowed Equity Interests shall receive a portion of their distributions based upon the hypothetical pooling of the assets and liabilities of the Debtors, other than the Portland Debtors. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety or otherwise, of Claims against another Debtor shall be treated as separate and distinct Claims against the estate of the respective Debtors and shall be entitled to distributions under the Plan in accordance with the provisions of the Plan.

3. Allocation of Expenses

On or prior to the Ballot Date, the Debtors shall file a motion with the Bankruptcy Court and, in connection with the entry of the Confirmation Order, the Bankruptcy Court shall enter an order with respect to the allocation of overhead and expenses among the Debtors and the Reorganized Debtors, as the case may be. Without limiting the foregoing, such allocation shall be predicated upon the tasks to be performed by the Debtors and the Reorganized Debtors, as the case may be, from and after the Confirmation Date, including, without limitation, the number of employees required to discharge such duties and obligations. Except as provided therein, all other provisions of the Bankruptcy Court's orders, dated February 25, 2002, November 21, 2002 and November 25, 2002, with respect to the allocation of overhead and expenses shall remain in full force and effect.

4. Wind Reserve Fund

Pursuant to the Wind Reserve Fund Order and for purposes of calculating distributions pursuant to the Plan, including, without limitation, the amount and value of Distributive Assets, Enron Guaranty Distributive Assets, Intercompany Distributive Assets and Wind Guaranty Distributive Assets, the Wind Reserve Fund shall not be included in the Assets of any of the Debtors, including Wind.

B. Provisions for Payment of Administrative Expense Claims and Priority Tax Claims

1. Administrative Expense Claims

On the later to occur of (a) the Effective Date and (b) the date on which an Administrative Expense Claim shall become an Allowed Claim, the Reorganized Debtors shall (i) pay to each holder of an Allowed Administrative Expense Claim, in Cash, the full amount of such Allowed Administrative Expense Claim, or (ii) satisfy and discharge such Allowed Administrative Expense Claim in accordance with such other terms no more favorable to the claimant than as may be agreed upon by and between the holder thereof and the Debtors or the Reorganized Debtors, as the case may be; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred by the Debtors in Possession during the Chapter

11 Cases shall be assumed and paid by the Reorganized Debtors in accordance with the terms and conditions of the particular transaction and any agreements relating thereto.

2. Professional Compensation and Reimbursement Claims

All Entities awarded compensation or reimbursement of expenses by the Bankruptcy Court in accordance with sections 328, 330 or 331 of the Bankruptcy Code or entitled to the priorities established pursuant to section 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Bankruptcy Court (a) on or as soon as reasonably practicable following the later to occur of (i) the Effective Date and (ii) the date upon which the Bankruptcy Court order allowing such Claim becomes a Final Order or (b) upon such other terms no more favorable to the Claimant than as may be mutually agreed upon between such holder of an Allowed Administrative Expense Claim and the Debtors or the Reorganized Debtors, as the case may be.

3. Payment of Priority Tax Claims

Each holder of an Allowed Priority Tax Claim shall be entitled to receive distributions in an amount equal to the full amount of such Allowed Priority Tax Claim. At the option and discretion of the Debtors, with the consent of the Creditors' Committee, which option shall be exercised, in writing, on or prior to the commencement of the Confirmation Hearing, such payment shall be made (a) in full, in Cash, on the Effective Date, (b) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, in full, in Cash, in equal quarterly installments, commencing on the first (1st) Business Day following the Effective Date and ending on the sixth (6th) anniversary of assessment of such Allowed Priority Tax Claim, together with interest accrued thereon at a rate to be determined by the Bankruptcy Court and set forth in the Confirmation Order, or (c) by mutual agreement of the holder of such Allowed Priority Tax Claim and the Debtors, subject to the consent of the Creditors' Committee.

C. Classification of Claims and Equity Interests

Claims and Equity Interests are classified as follows:

1. Class 1 – Priority Non-Tax Claims

2. Class 2 – Secured Claims

3. Classes 3 through 180 – General Unsecured Claims (Other than Enron Subordinated Debenture Claims)

4. Class 181 – Enron Subordinated Debenture Claims

5. Class 182 – Enron TOPRS Debenture Claims

6. Class 183 – Enron Guaranty Claims

7. Class 184 – Wind Guaranty Claims

8. Class 185 – Intercompany Claims

9. Classes 186 through 365 – Convenience Claims

10. Classes 366 through 372 – Subordinated Claims

11. Class 373 – Enron Preferred Equity Interests

12. Class 374 – Enron Common Equity Interests

13. Class 375 – Other Equity Interests

Annexed to the Plan as Exhibits H, I and J are schedules setting forth the classes of General Unsecured Claims, Convenience Claims, and Subordinated Claims, respectively, for each of the individual Debtors.

D. Provision for Treatment of Priority Non-Tax Claims (Class 1)

1. Payment of Allowed Priority Non-Tax Claims

Unless otherwise mutually agreed upon by the holder of an Allowed Priority Non-Tax Claim and the Reorganized Debtors, each holder of an Allowed Priority Non-Tax Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim on the later of the Effective Date and the date such Allowed Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

E. Provision for Treatment of Secured Claims (Class 2)

1. Treatment of Secured Claims

On the Effective Date, each holder of an Allowed Secured Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed Secured Claim one of the following distributions: (a) the payment of such holder's Allowed Secured Claim in full, in Cash; (b) the sale or disposition proceeds of the property securing any Allowed Secured Claim to the extent of the value of their respective interests in such property; (c) the surrender to the holder or holders of any Allowed Secured Claim of the property securing such Claim; or (d) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. The manner and treatment of each Secured Claim shall be determined by the Debtors, subject to the consent of the Creditors' Committee and transmitted, in writing, to holder of a Secured Claim on or prior to the commencement of the Confirmation Hearing.

F. Provision for Treatment of General Unsecured Claims (Classes 3-180)

1. Treatment of General Unsecured Claims (Other than Those Against the Portland Debtors Classes 3 through 178)

Commencing on the Effective Date and subject to the provisions of Sections 7.3 and 7.4 of the Plan, each holder of an Allowed General Unsecured Claim against a Debtor, other than a Portland Debtor, shall be entitled to receive on account of such Allowed General Unsecured Claim distributions (a) in an aggregate amount equal to such holder's Pro Rata Share of the Distributive Assets attributable to such Debtor and (b) equal to such holder's Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests.

2. Treatment of General Unsecured Claims Against the Portland Debtors (Classes 179 and 180)

Commencing on the Effective Date and subject to the provisions of Section 7.4 of the Plan, each holder of an Allowed General Unsecured Claim against either of the Portland Debtors shall be entitled to receive on account of such Allowed General Unsecured Claim distributions in an aggregate amount equal to such holders' Pro Rata Share of the Portland Creditor Cash.

3. Election to Receive Additional Cash Distributions, in Lieu of Partial Plan Securities

Notwithstanding the provisions of Section 7.1 of the Plan, any holder of an Allowed General Unsecured Claim against ENA, EPMI, EGLI, EGM, EIM, ENGMC, ENA Upstream, ECTRIC, and ERAC may elect to receive such holder's Pro Rata Share of One Hundred Twenty-Five Million Dollars ($125,000,000.00) in lieu of all or a portion of the Plan Securities to which such holder is otherwise entitled to receive pursuant to the Plan. In the event that any such holder elects to receive such additional Cash distribution, (a) such holder's distribution of Plan Securities shall be reduced on a dollar-for-dollar basis and (b) distributions of Plan Securities to be made to holders of Allowed General Unsecured Claims against ENE shall be increased on a dollar-for-dollar basis. Such election must be made on the Ballot and be received by the Debtors on or prior to the Ballot Date. Any election made after the Ballot Date shall not be binding upon the Debtors unless the Ballot Date is expressly waived, in writing, by the Debtors; provided, however, that, under no circumstances, may such waiver by the Debtors occur on or after the Effective Date.

4. Allowed Claims of Fifty Thousand Dollars or More/Election to be Treated as a Convenience Claim

Notwithstanding the provisions of Sections 7.1 and 7.3 of the Plan, any holder of an Allowed General Unsecured Claim whose Allowed General Unsecured Claim other than (i) an Enron Senior Notes Claim, (ii) an Enron Subordinated Debenture Claim, (iii) an ETS Debenture Claim, (iv) an ENA Debenture Claim and (v) any other General Unsecured Claim that is a component of a larger General Unsecured Claim, portions of which may be held by such or any other holder is more than Fifty Thousand Dollars ($50,000.00), and who elects to reduce the amount of such Allowed Claim to Fifty Thousand Dollars ($50,000.00), shall, at such holder's option, be entitled to receive, based on such Allowed Claim as so reduced, distributions pursuant to Article XIII of the Plan. Such election must be made on the Ballot and be received by the Debtors on or prior to the Ballot Date. Any election made after the Ballot Date shall not be binding upon the Debtors unless the Ballot Date is expressly waived, in writing, by the Debtors; provided, however, that, under no circumstances, may such waiver by the Debtors occur on or after the Effective Date.

5. Limitation on Recovery

Notwithstanding anything contained in the Plan to the contrary, including, without limitation, the distributions to be made to a holder of an Allowed General Unsecured Claim in accordance with Sections 7.1 and 7.3 of the Plan, in the event that the sum of (a) the distributions of Cash and Plan Securities in accordance with Sections 7.1 and 7.3 of the Plan and (b) the value of the Litigation Trust Interests and the Special Litigation Trust Interests, as determined in accordance with the provisions of Sections 19.5 and 20.5 of the Plan, respectively, that would be distributed to such holder are equal to or in excess of 100% of such holder's Allowed General Unsecured Claim, then, the Cash and Plan Securities remaining to be distributed to such holder in excess of such 100% shall be deemed redistributed to holders of Allowed Claims and Allowed Equity Interests or the Disbursing Agent for and on behalf of holders of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the documents, instruments and agreements governing such Claims and Equity Interests, including, without limitation, the contractual subordination provisions set forth therein, and the Bankruptcy Code.

6. Severance Settlement Fund Litigation Payments

In accordance with Severance Settlement Order and the Severance Settlement Fund Trust Agreement, Severance Settlement Fund Proceeds shall be paid to the Settling Former Employees in full and final satisfaction of all Claims deemed released in accordance with the Severance Settlement Order.

7. Termination of Wind Trusts

From and after the Confirmation Date, the Managing Trustee, as defined in the WD Trust Agreement and the WS Trust Agreement, and the Manager, as defined in the WD Management Agreement and the WS Management Agreement, shall continue to operate the Wind Trusts and liquidate the Wind Trusts Assets in accordance with the terms and provisions set forth therein and all documents related thereto. Upon liquidation of the Wind Trusts Assets, (a) the net proceeds thereof shall be delivered to the Debtors or the Reorganized Debtors, as the case may be, for distribution to holders of Allowed General Unsecured Claims in accordance with the provisions of Article VII of the Plan; provided, however, that, under no circumstances shall an Electric Utility, as defined in the WD Trust Agreement and the WS Trust Agreement, receive Cash proceeds from any of the Wind Trusts Assets and, in lieu thereof, the Disbursing Agent shall include in the distributions to be made to a holder of an Allowed General Unsecured Claim that is an Electric Utility Cash from other sources of Creditor Cash, on a dollar-for-dollar basis, and (b) upon delivery of all such proceeds to the Debtors or the Reorganized Debtors, as the case may be, and compliance with all requirements, including, without limitation, the filing of appropriate tax returns, (i) the Wind Trusts shall be terminated and (ii) all parties to the Wind Trusts, the Wind Trust Agreements and the Wind Management Agreements shall be relieved of any and all obligations under such agreements and under the Plan.

Section 3.8(a)(ii) of each of the WS Trust Agreement and the WD Trust Agreement required that the Managing Trustee for each such trust file all tax returns for all periods following the Effective Date of the Plan in the manner described in the Disclosure Statement. For this purpose, the manner described in this Disclosure Statement shall be the same as the manner described in Section 3.8(a)(i) of such agreements for periods prior to the Effective Date of the Plan.

G. Provision for Treatment of Enron Subordinated Debenture Claims (Class 181)

1. Treatment of Allowed Enron Subordinated Debenture Claims (Class 181)

Commencing on the Effective Date, each holder of an Allowed Enron Subordinated Debenture Claim shall be entitled to receive on account of such Allowed Enron Subordinated Debenture Claim distributions (a) in an aggregate amount equal to such holder's Pro Rata Share of the Distributive Assets attributable to ENE and (b) equal to such holder's Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests; provided, however, that, notwithstanding the foregoing, the contractual subordination rights of holders of "Senior Indebtedness" or any similar term under the Enron Subordinated Indentures shall be preserved and enforced under the Plan pursuant to section 510(a) of the Bankruptcy Code and, as a result thereof, the aggregate of such distributions shall be distributed to holders of Allowed General Unsecured Claims that constitute "Senior Indebtedness," as identified on Exhibit "K" to the Plan, until such time as such holder's Claims have been satisfied in accordance with the terms and provisions of the Enron Subordinated Indentures.

2. Contingent Distribution/Limitation on Recovery

Notwithstanding anything contained in the Plan to the contrary, in the event that the sum of (a) the distributions of the Cash and Plan Securities are deemed redistributed to a holder of an Allowed Enron Subordinated Debenture Claim in accordance with the provisions of Section 7.5 of the Plan and (b) the sum of the distributions of Cash and Plan Securities and the value of the Litigation Trust Interests and the Special Litigation Trust Interests, if any, and as determined in accordance with the provisions of Sections 19.5 and 20.5 of the Plan, respectively, distributed to a holder of an Allowed Enron Subordinated Debenture Claim are equal to or in excess of 100% of such holder's Allowed Enron Subordinated Debenture Claim, then, the Cash and Plan Securities remaining to be distributed to such holder in excess of such 100% shall be deemed redistributed to holders of Allowed Claims and Equity Interests or the Disbursing Agent for and on behalf of holders of Disputed Claims and Disputed Equity Interest in accordance with the provisions of the documents, instruments and agreements governing such Claims and Equity Interests, including, without limitation, the contractual subordination provisions set forth therein, and the Bankruptcy Code.

H. Provisions for Treatment of Enron TOPRS Debenture Claims (Class 182)

1. Treatment of Allowed Enron TOPRS Debenture Claims (Class 182)

Commencing on the Effective Date, each holder of an Allowed Enron TOPRS Debenture Claim shall be entitled to receive on account of such Allowed Enron TOPRS

Debenture Claim distributions (a) in an aggregate amount equal to such holder's Pro Rata Share of the Distributive Assets attributable to ENE and (b) equal to such holder's Pro Rata Share of (i) twelve million (12,000,000) Litigation Trust Interests and (ii) twelve million (12,000,000) Special Litigation Trust Interests; provided, however, that, notwithstanding the foregoing, the contractual subordination rights of holders of "Senior Indebtedness" or any similar term under the Enron TOPRS Indentures shall be preserved and enforced under the Plan pursuant to section 510(a) of the Bankruptcy Code and, as a result thereof, the aggregate of such distributions shall be distributed to holders of Allowed Claims that constitute "Senior Indebtedness," as identified on Exhibit "K" to the Plan, until such time as such holder's Claims have been satisfied in accordance with the terms and provisions of the Enron TOPRS Indentures.

2. Contingent Distribution/Limitation on Recovery

Notwithstanding anything contained herein or in the Plan to the contrary, in the event that the sum of (a) the distributions of the Cash and Plan Securities are deemed redistributed to a holder of an Allowed Enron TOPRS Debenture Claim in accordance with the provision of Section 7.5 of the Plan and (b) the sum of the distributions of Cash and Plan Securities and the value of the Litigation Trust Interests and Special Litigation Trust Interests, if any and as determined in accordance with the provisions of Sections 19.5 and 20.5 of the Plan, respectively, distributed to a holder of an Allowed Enron TOPRS Debenture Claim are equal to or in excess of 100% of such holder's Allowed Enron TOPRS Debenture Claim, then, the Cash and Plan Securities remaining to be distributed to such holder in excess of such 100% shall be deemed redistributed to holders of Allowed Claims and Equity Interests or the Disbursing Agent for and on behalf of holders of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the documents, instruments and agreements governing such Claims and Equity Interests, including, without limitation, the contractual subordination provisions set forth therein, and the Bankruptcy Code.

I. Provisions for Treatment of Enron Guaranty Claims (Class 183)

1. Treatment of Enron Guaranty Claims (Class 183)

Commencing on the Effective Date and subject to the provisions of Section 10.2 of the Plan, each holder of an Allowed Enron Guaranty Claim shall be entitled to receive on account of such Allowed Enron Guaranty Claim distributions in an aggregate amount equal to such holder's Pro Rata Share of the Enron Guaranty Distributive Assets; provided, however, that, under no circumstances, shall a holder of an Allowed Enron Guaranty Claim receive aggregate distributions in accordance with the provisions of Articles VII and X of the Plan in excess of 100% of such holder's corresponding Allowed General Unsecured Claim.

2. Allowed Claims of Fifty Thousand Dollars or More/Election to be Treated as a Convenience Claim

Notwithstanding the provisions of Section 10.1 of the Plan, any holder of an Allowed Enron Guaranty Claim whose Allowed Enron Guaranty Claim is more than Fifty Thousand Dollars ($50,000.00), and who elects to reduce the amount of such Allowed Claim to Fifty Thousand Dollars ($50,000.00), shall, at such holder's option, be entitled to receive, based on such Allowed Claim as so reduced, distributions pursuant to Article XIII of the Plan; provided, however, that, under no circumstances, shall a holder of an Allowed Enron Guaranty Claim receive aggregate distributions in accordance with the provisions of Articles VII and X of the Plan in excess of 100% of such holder's corresponding Allowed General Unsecured Claim. Such election must be made on the Ballot and be received by the Debtors on or prior to the Ballot Date. Any election made after the Ballot Date shall not be binding upon the Debtors unless the Ballot Date is expressly waived, in writing, by the Debtors; provided, however, that, under no circumstances, may such waiver by the Debtors occur on or after the Effective Date.

J. Provisions for Treatment of Wind Guaranty Claims (Class 184)

1. Treatment of Wind Guaranty Claims (Class 184)

Commencing on the Effective Date and subject to the provisions of Section 11.2 of the Plan, each holder of an Allowed Wind Guaranty Claim shall be entitled to receive on account of such Allowed Wind Guaranty Claim distributions in an aggregate amount equal to such holder's Pro Rata Share of the Wind Guaranty Distributive Assets; provided, however, that, under no circumstances, shall a holder of an Allowed Wind Guaranty Claim receive aggregate distributions in accordance with the provisions of Articles VII and XI of the Plan in excess of 100% of such holder's corresponding Allowed General Unsecured Claim.

2. Allowed Claims of Fifty Thousand Dollars or More/Election to be Treated as a Convenience Claim

Notwithstanding the provisions of Section 11.1 of the Plan, any holder of an Allowed Wind Guaranty Claim whose Allowed Wind Guaranty Claim is more than Fifty Thousand Dollars ($50,000.00), and who elects to reduce the amount of such Allowed Claim to Fifty Thousand Dollars ($50,000.00), shall, at such holder's option, be entitled to receive, based on such Allowed Claim as so reduced, distributions pursuant to Article XIII of the Plan; provided, however, that, under no circumstances, shall a holder of an Allowed Wind Guaranty Claim receive aggregate distributions in accordance with the provisions of Articles VII and XI of the Plan in excess of 100% of such holder's corresponding Allowed General Unsecured Claim. Such election must be made on the Ballot and be received by the Debtors on or prior to the Ballot Date. Any election made after the Ballot Date shall not be binding upon the Debtors unless the Ballot Date is expressly waived, in writing, by the Debtors; provided, however, that, under no circumstances, may such waiver by the Debtors occur on or after the Effective Date.

K. Provisions For Treatment of Intercompany Claims (Class 185)

1. Treatment of Intercompany Claims (Class 185)

Commencing on the Effective Date, each Debtor which is a holder of an Allowed Intercompany Claim shall be deemed to be entitled to receive on account of such Allowed Intercompany Claim allocations in an aggregate amount equal to such holder's Pro Rata Share of the Intercompany Distributive Assets and such allocations shall be redistributed to holder's of Allowed Claims in accordance with the provisions of Articles VII through XI and XIII through XVI of the Plan.

L. Provisions For Treatment Of Convenience Claims (Classes 186-365)

1. Treatment of Convenience Claims (Classes 186-365)

On the Effective Date or as soon as practicable thereafter, and except as provided in Section 13.1 of the Plan, each holder of an Allowed Convenience Claim against a Debtor shall receive Cash in an amount equal to the applicable Convenience Claim Distribution Percentage of such Allowed Convenience Claim.

2. Plan Currency Opportunity

Notwithstanding the provisions of Article XIII of the Plan any holder of an Allowed Convenience Claim against a Debtor may elect to have such holder's Claim treated as a General Unsecured Claim, an Enron Guaranty Claim or a Wind Guaranty Claim against such Debtor in accordance with the respective provisions of Articles VII, X and XI of the Plan. Such election must be made on the Ballot and be received by the Debtors on or prior to the Ballot Date. Any election made after the Ballot date shall not be binding upon the Debtors unless the Ballot Date is expressly waived, in writing, by the Debtors; provided, however, that, under no circumstances, may such waiver by the Debtors occur on or after the Effective Date.

M. Provision For Treatment Of Subordinated Claims (Classes 366-372)

1. Treatment of Allowed Subordinated Claims (Class 366-372)

Except as otherwise provided in Section 14.2 of the Plan, each holder of an Allowed Subordinated Claim shall receive no distribution for and on account of such Claim.

2. Contingent Distribution/Limitation on Recovery

Notwithstanding anything contained in the Plan to the contrary, in the event that Cash and Plan Securities are deemed redistributed to a holder of an Allowed Subordinated Claim in accordance with the provisions of Sections 7.5 and 8.2 of the Plan, such redistribution shall be made to holders of Allowed Subordinated Claims in the following order of priority, until such Claims are paid, or deemed paid in full, in Cash, or through the value of the Plan Securities so distributed: (a) holders of Allowed Section 510 Enron Senior Notes Claims and Allowed Section 510 Enron Subordinated Debenture Claims; (b) holders of Allowed Penalty Claims and Allowed Other Subordinated Claims; (c) holders of Allowed Section 510 Enron Preferred Equity Interest Claims; (d) holders of Allowed Enron Preferred Equity Interests and Allowed Enron TOPRS Subordinated Guaranty Claims; and (e) holders of Allowed Section 510 Enron Common Equity Interest Claims and Allowed Enron Common Equity Interests in accordance with the provisions of the documents, instruments and agreements governing such Equity Interests, including, without limitation, the contractual subordination provisions set forth therein and the Bankruptcy Code.

N. Provisions For Treatment Of Enron Preferred Equity Interests (Class 373)

1. Treatment of Allowed Enron Preferred Equity Interests (Class 373)

Except as otherwise provided in Section 15.2 of the Plan, on the Effective Date, each holder of an Allowed Enron Preferred Equity Interest shall be entitled to receive such holder's Pro Rata Share of the separate class of Preferred Equity Trust Interests relating to such holder's class of Exchanged Enron Preferred Stock to be allocated pursuant to Article XXIII of the Plan. For purposes of Section 15.1 of the Plan, a holder's class of Exchanged Enron Preferred Stock is the class of Exchanged Enron Preferred Stock to be issued in lieu of such holder's class of Enron Preferred Equity Interest.

2. Contingent Distribution/Limitation on Recovery

Notwithstanding anything contained in the Plan to the contrary, in the event that (a) Cash and Plan Securities are deemed redistributed to a holder of an Allowed Enron Preferred Equity Interest, and, as a result of the issuance and transfer of the Exchanged Enron Preferred Stock, to the Preferred Equity Trustee for and on behalf of the holders of Preferred Equity Trust Interests, in accordance with the provisions of Sections 7.5, 8.2, 9.2 and 14.2 of the Plan, and (b) the sum of such distributions to such holder are equal or in excess of 100% of such holder's Allowed Enron Preferred Equity Interests, then, the Cash and Plan Securities remaining to be distributed to such holder in excess of such 100% shall be deemed redistributed to holders of Allowed Section 510 Enron Common Equity Interest Claims and Allowed Enron Common Equity Interests in accordance with the provisions of the documents, instruments and agreements governing such Equity Interests, including, without limitation, the contractual subordination provisions set forth therein, and the Bankruptcy Code.

3. Cancellation of Enron Preferred Equity Interests and Exchanged Enron Preferred Stock

On the Effective Date, the Enron Preferred Equity Interests shall be deemed cancelled and of no force and effect and the Exchanged Enron Preferred Stock shall be issued in lieu thereof. On the later to occur of (a) the entry of a Final Order resolving all Claims in the Chapter 11 Cases and (b) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, the Exchanged Enron Preferred Stock shall be deemed extinguished and the certificates and all other documents representing such Equity Interests shall be deemed cancelled and of no force and effect.

O. Provision for Treatment of Enron Common Equity Interests (Class 374)

1. Treatment of Allowed Enron Common Equity Interests (Class 374)

Except as otherwise provided in Section 16.2 of the Plan, on the Effective Date, each holder of an Allowed Enron Common Equity Interest shall be entitled to receive such holder's Pro Rata Share of Common Equity Trust Interests to be allocated pursuant to Article XXII of the Plan.

2. Contingent Distribution to Common Equity Trust

Notwithstanding anything contained in the Plan to the contrary, in the event that Cash and Plan Securities are deemed redistributed to a holder of an Allowed Enron Common Equity Interest in accordance with the provisions of Sections 7.5, 8.2, 9.2, 14.2, and 15.2 of the

Plan, as a result of the issuance and transfer of Exchanged Enron Common Stock, all distributions in respect of the Exchanged Enron Common Stock shall be made to the Common Equity Trustee for and on behalf of the holders of Common Equity Trust Interests.

3. Cancellation of Enron Common Equity Interests and Exchanged Enron Common Stock

On the Effective Date, the Enron Common Equity Interests shall be deemed cancelled and of no force and effect and the Exchanged Enron Common Stock shall be issued in lieu thereof. On the later to occur of (a) the entry of a Final Order resolving all Claims in the Chapter 11 Cases and (b) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, the Exchanged Enron Common Stock shall be deemed extinguished and the certificates and all other documents representing such Equity Interests shall be deemed cancelled and of no force and effect.

P. Provisions for Treatment of Other Equity Interests (Class 375)

1. Cancellation of Other Equity Interests (Class 375)

On the latest to occur of (1) the Effective Date, (2) the entry of a Final Order resolving all Claims in the Chapter 11 Cases and (3) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, unless otherwise determined by the Debtors and the Creditors' Committee, (a) all Other Equity Interests shall be deemed extinguished and the certificates and all other documents representing such Equity Interests shall be deemed cancelled and of no force and effect and (b) the Reorganized Debtor Plan Administrator shall administer the assets of such Entity in accordance with the provisions of Article XXXIII of the Plan; provided, however, that no Other Equity Interests shall be cancelled if the result of such cancellation shall adversely economically impact the estate of any Debtor.

Q. Provisions for Treatment of Disputed Claims Under the Plan

1. Objections to Claims; Prosecution of Disputed Claims

The Reorganized Debtors shall object to the allowance of Claims or Equity Interests filed with the Bankruptcy Court with respect to which they dispute liability, priority or amount, including, without limitation, objections to Claims which have been assigned and the assertion of the doctrine of equitable subordination with respect thereto. All objections shall be litigated to Final Order; provided, however, that the Reorganized Debtors (within such parameters as may be established by the Board of Directors of the Reorganized Debtors) shall have the authority to file, settle, compromise or withdraw any objections to Claims or Equity Interests. Unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall file and serve all objections to Claims as soon as practicable, but in no event later than two hundred forty (240) days following the Confirmation Date or such later date as may be approved by the Bankruptcy Court.

2. Estimation of Claims

The Reorganized Debtors may at any time request the Bankruptcy Court to estimate for final distribution purposes any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Reorganized Debtors previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated or Disputed Claim, the estimated amount shall constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court; provided, however, that if the estimate constitutes the maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as the case may be, may elect to pursue supplemental proceedings to object to any ultimate allowance of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

3. Payments and Distributions on Disputed Claims

a. Disputed Claims Reserve. From and after the Effective Date, the Disbursing Agent shall reserve and hold in escrow for the benefit of each holder of a Disputed Claim, Cash, Plan Securities, Operating Trust Interests, Remaining Asset Trust Interests, Litigation Trust Interests and Special Litigation Trust Interests and any dividends, gains or income attributable thereto, in an amount equal to the Pro Rata Share of distributions which would have been made to the holder of such Disputed Claim if it were an Allowed Claim in an amount equal to the lesser of (i) the Disputed Claim Amount, (ii) the amount in which the Disputed Claim shall be estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code for purposes of allowance, which amount, unless otherwise ordered by the Bankruptcy Court, shall constitute and represent the maximum amount in which such Claim may ultimately become an Allowed Claim or (iii) such other amount as may be agreed upon by the holder of such Disputed Claim and the Reorganized Debtors. Any Cash, Plan Securities, Operating Trust Interests, Remaining Asset Trust Interests, Litigation Trust Interests and Special Litigation Trust Interests reserved and held for the benefit of a holder of a Disputed Claim shall be treated as a payment and reduction on account of such Disputed Claim for purposes of computing any additional amounts to be paid in Cash or distributed in Plan Securities in the event the Disputed Claim ultimately becomes an Allowed Claim. Such Cash and any dividends, gains or income paid on account of Plan Securities, Operating Trust Interests, Remaining Asset Trust Interests, Litigation Trust Interests and Special Litigation Trust Interests reserved for the benefit of holders of Disputed Claims shall be either (x) held by the Disbursing Agent, in an interest-bearing account or (y) invested in interest-bearing obligations issued by the United States Government, or by an agency of the United States Government and guaranteed by the United States Government, and having (in either case) a maturity of not more than thirty (30) days, for the benefit of such holders pending determination of their entitlement thereto under the terms of the Plan. No payments or distributions shall be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof by Final Order.

b. Allowance of Disputed Claims. At such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the Disbursing Agent shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan together with any interest which has accrued on the amount of Cash and any dividends or distributions attributable to the Plan Securities or Operating Trust Interests so reserved (net of any expenses, including any taxes of the escrow, relating thereto), but only to the extent that such interest is attributable to the amount of the Allowed Claim. Such distribution, if any, shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order but in no event more than ninety (90) days thereafter. The balance of any Cash previously reserved shall be included in Creditor Cash and the balance of any Plan Securities and Operating Trust Interests previously reserved shall be included in future calculations of Plan Securities to holders of Allowed Claims.

4. Tax Treatment of Escrow

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent shall (i) treat the escrow as one or more discrete trusts (which may be composed of separate and independent shares) for federal income tax purposes in accordance with the trust provisions of the IRC (Sections 641 et seq.) and (ii) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All holders of Allowed Claims and Allowed Equity Interests shall report, for tax purposes, consistent with the foregoing.

5. Funding of Escrow's Tax Obligation

If the reserve created in accordance with Section 18.3 (a) of the Plan has insufficient funds to pay any applicable taxes imposed upon it or its assets, subject to the other provisions contained in the Plan, the Reorganized Debtors shall advance to the escrow the funds necessary to pay such taxes (a "Tax Advance"), with such Tax Advances repayable from future amounts otherwise receivable by the escrow pursuant to Section 18.3 of the Plan. If and when a distribution is to be made from the escrow, the distributee will be charged its pro rata portion of any outstanding Tax Advance (including accrued interest). If a cash distribution is to be made to such distributee, the Disbursing Agent shall be entitled to withhold from such distributee's distribution the amount required to pay such portion of the Tax Advance (including accrued interest). If such cash is insufficient to satisfy the respective portion of the Tax Advance and there is also to be made to such distributee a distribution of other Plan Currency or interests in the trusts to be created under the Plan, the distributee shall, as a condition to receiving such other assets, pay in cash to the Disbursing Agent an amount equal to the unsatisfied portion of the Tax Advance (including accrued interest). Failure to make such payment shall entitle the Disbursing Agent to reduce and permanently adjust the amounts that would otherwise be distributed to such distributee to fairly compensate the Disputed Claims reserve created in accordance with Section 18.3(a) of the Plan for the unpaid portion of the Tax Advance (including accrued interest).

R. Provisions Regarding Distributions

1. Time and Manner of Distributions

Distributions under the Plan shall be made to each holder of an Allowed Unsecured Claim as follows:

a. **Initial Distributions of Cash**. On or as soon as practicable after the Effective Date, the Disbursing Agent shall distribute, or cause to be distributed, to the Reorganized Debtor Plan Administrator on behalf of holders of Disputed Claims, and to each holder of an Allowed General Unsecured Claim, an Allowed Enron Guaranty Claim, an Allowed Wind Guaranty Claim, an Allowed Intercompany Claim and an Allowed Convenience Claim, such Creditor's share, if any, of Creditor Cash as determined pursuant to Articles VII, X, XII and XIII of the Plan.

b. **Subsequent Distributions of Cash**. On the first (1st) Business Day that is after the close of two (2) full calendar quarters following the date of the initial Effective Date distributions, and, thereafter, on each first (1st) Business Day following the close of two (2) full calendar quarters, the Disbursing Agent shall distribute, or cause to be distributed, to the Reorganized Debtor Plan Administrator on behalf of holders of Disputed Claims, and to each holder of an Allowed General Unsecured Claim, an Allowed Enron Guaranty Claim, an Allowed Wind Guaranty Claim, an Allowed Intercompany Claim, and an Allowed Convenience Claim, an amount equal to such Creditor's share, if any, of Creditor Cash as determined pursuant to Articles VII, X, XI, XII and XIII of the Plan, until such time as there are no longer any potential Creditor Cash.

c. **Distributions of Plan Securities**. Notwithstanding anything contained in the Plan to the contrary, commencing on or as soon as practicable after the Effective Date, subject to the availability of any historical financial information required to comply with applicable securities laws, the Disbursing Agent shall commence distributions, or cause to be distributed, to the Reorganized Debtor Plan Administrator on behalf of holders of Disputed Claims, and to each holder of an Allowed General Unsecured Claim, an Allowed Enron Guaranty Claim, an Allowed Wind Guaranty Claim and an Allowed Intercompany Claim, an amount equal to such Creditor's share, if any, of Plan Securities, as determined pursuant to Articles VII, X, XI, XII and XIII of the Plan, and semi-annually thereafter until such time as there is no longer any potential Plan Securities to distribute, as follows:

(i) **Prisma**. Distribution of Prisma Common Stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims and Allowed Intercompany Claims shall commence upon (a) allowance of General Unsecured Claims in an amount which would result in the distribution of 30% of the issued and outstanding shares of Prisma Common Stock and (b) obtaining the requisite consents for the transfer of the Prisma Assets and the issuance of the Prisma Common Stock;

(ii) **CrossCountry**. Distributions of CrossCountry Common Stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims and Allowed Intercompany Claims shall commence upon (a) allowance of General Unsecured Claims in an amount which would result in the distribution of 30% of the issued and outstanding shares of CrossCountry Common Stock and (b) obtaining the requisite consents for the issuance of the CrossCountry Common Stock; and

(iii) PGE. Distributions of PGE Common Stock to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims and Allowed Intercompany Claims shall commence upon (a) allowance of General Unsecured Claims in an amount which would result in the distribution of 30% of the issued and outstanding shares of PGE Common Stock and (b) obtaining the requisite consents for the issuance of the PGE Common Stock;

provided, however, that, in the event that a Sale Transaction has occurred, or an agreement for a Sale Transaction has been entered into and has not been terminated, prior to the satisfaction of the conditions for the distribution of such Plan Securities pursuant to Section 29.1(c) of the Plan, the proceeds thereof shall be distributed in accordance with the provisions of Section 29.1(a) of the Plan in lieu of the Plan Securities that are the subject of such Sale Transaction or agreement, or in the case of a Sale Transaction involving a sale of all or substantially all of the assets of an issuer of Plan Securities, the Plan Securities of such issuer (unless the agreement for such Sale Transaction terminates subsequent to the satisfaction of such applicable conditions in Section 29.1(c) of the Plan, in which case, such Plan Securities shall be distributed pursuant to Section 29.1(c) of the Plan), with the balance of such Plan Securities distributed in accordance with the provisions of Section 29.1(c) of the Plan; and, provided, further, that, if in the joint determination of the Debtors and the Creditors' Committee the Prisma Trust Interests, CrossCountry Trust Interests and/or PGE Trust Interests are created, on the Effective Date, such interests shall be allocated to the appropriate holders thereof in accordance with Section 21.12 of the Plan in lieu of the distributions of Prisma Common Stock, CrossCountry Common Stock and/or PGE Common Stock, respectively; and, provided, further, that during the period of retention of any such Plan Securities, the Disbursing Agent shall distribute, or cause to be distributed, to the Reorganized Debtor Plan Administrator on behalf of holders of Disputed Claims, and to each holder of an Allowed General Unsecured Claim, an Allowed Enron Guaranty Claim, an Allowed Wind Guaranty Claim and an Allowed Intercompany Claim, an amount equal to such Creditor's share, if any, of dividends declared and distributed with respect to any of the Plan Securities; and, provided, further, until such time as all Disputed Claims have been allowed by Final Order, in whole or in part, the Disbursing Agent shall hold in reserve at least 1% of the Plan Securities to be distributed in accordance with Sections 18.3 and 29.1 of the Plan.

d. Recalculation of Distributive Assets, Guaranty Distributive Assets and Intercompany Distributive Assets. Notwithstanding anything contained in the Plan to the contrary, in connection with each of the distributions of Creditor Cash and Plan Securities to be made in accordance with Section 29.1 of the Plan, the Disbursing Agent shall calculate, or cause to be calculated, Distributive Assets, Enron Guaranty Distributive Assets, Wind Guaranty Distributive Assets and Intercompany Distributive Assets as of the date thereof, taking into account, among other things, (i) sales of Remaining Assets, (ii) proceeds, if any, of Sale Transactions and (iii) the allowance or disallowance of Disputed Claims, as the case may be.

e. Prior and Subsequent Bankruptcy Court Orders Regarding Non-Conforming Distributions. For purposes of calculating distributions to be made in accordance with Section 29.1 of the Plan, including, without limitation, the payment of Allowed Claims in full, the Debtors, the Reorganized Debtors, the Disbursing Agent and the Reorganized Debtor Plan Administrator shall take into account those payments made or to be made to holders of

Allowed Enron Senior Note Claims and Allowed Enron Subordinated Debenture Claims pursuant to the provisions of prior or subsequent orders of the Bankruptcy Court.

2. Timeliness of Payments

Any payments or distributions to be made pursuant to the Plan shall be deemed to be timely made if made within twenty (20) days after the dates specified in the Plan. Whenever any distribution to be made under the Plan shall be due on a day other than a Business Day, such distribution shall instead be made, without interest, on the immediately succeeding Business Day, but shall be deemed to have been made on the date due.

3. Distributions by the Disbursing Agent

All distributions under the Plan shall be made by the Disbursing Agent at the direction of the Reorganized Debtor Plan Administrator. The Disbursing Agent shall be deemed to hold all property to be distributed under the Plan in trust for the Persons entitled to receive the same. The Disbursing Agent shall not hold an economic or beneficial interest in such property.

4. Manner of Payment under the Plan

Unless the Entity receiving a payment agrees otherwise, any payment in Cash to be made by the Reorganized Debtors shall be made, at the election of the Reorganized Debtors, by check drawn on a domestic bank or by wire transfer from a domestic bank; provided, however, that no Cash payments shall be made to a holder of an Allowed Claim or an Allowed Equity Interest until such time as the amount payable thereto is equal to or greater than Ten Dollars ($10.00).

5. Delivery of Distributions

Subject to the provisions of Rule 9010 of the Bankruptcy Rules, and except as provided in Section 29.4 of the Plan, distributions and deliveries to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address set forth on proofs of claim filed by such holders, or at the last known address of such a holder if no proof of claim is filed or if the Debtors has been notified in writing of a change of address. Distributions for the benefit of holders of Enron Senior Notes shall be made to the appropriate Enron Senior Notes Indenture Trustee. Each such Enron Senior Note Indenture Trustee shall in turn administer the distribution to the holders of Allowed Enron Senior Note Claims in accordance with the Plan and the applicable Enron Senior Notes Indenture. The Enron Senior Notes Indenture Trustee shall not be required to give any bond or surety or other security for the performance of their duties unless otherwise ordered by the Bankruptcy Court.

6. Fractional Securities

No fractional shares of Plan Securities shall be issued. Fractional shares of Plan Securities shall be rounded to the next greater or next lower number of shares in accordance with the following method: (a) fractions of one-half (1/2) or greater shall be rounded to the next higher whole number, and (b) fractions of less than one-half (1/2) shall be rounded to the next lower whole number. The total number of shares or interests of Plan Securities to be distributed to a Class under the Plan shall be adjusted as necessary to account for the rounding provided for in Section 29.6 of the Plan. In the event that, as a result of such rounding, a holder of a Claim would receive no distribution pursuant to the Plan, such holder shall receive Cash in lieu of the fractional shares of Plan Securities to purchase fractional shares such holder was entitled to receive.

7. Undeliverable Distributions

a. Holding of Undeliverable Distributions. If any distribution to any holder is returned to the Reorganized Debtors as undeliverable, no further distributions shall be made to such holder unless and until the Reorganized Debtors is notified, in writing, of such holder's then-current address. Undeliverable distributions shall remain in the possession of the Reorganized Debtors until such time as a distribution becomes deliverable. All Entities ultimately receiving undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Reorganized Debtors to attempt to locate any holder of an Allowed Claim or an Allowed Equity Interest.

b. Failure to Claim Undeliverable Distributions. On or about the second (2nd) anniversary of the Effective Date, the Reorganized Debtors shall file a list with the Bankruptcy Court setting forth the names of those Entities for which distributions have been made under the Plan and have been returned as undeliverable as of the date thereof. Any holder of an Allowed Claim or an Allowed Equity Interest that does not assert its rights pursuant to the Plan to receive a distribution within three (3) years from and after the Effective Date shall have its entitlement to such undeliverable distribution discharged and shall be forever barred from asserting any entitlement pursuant to the Plan against the Reorganized Debtors or its property. In such case, any consideration held for distribution on account of such Claim or Equity Interest shall revert to the Reorganized Debtors for redistribution to holders of Allowed Claims and Allowed Equity Interests in accordance with the provisions of Section 29.1 of the Plan.

8. Compliance with Tax Requirements

The Reorganized Debtors shall comply with all applicable tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

9. Time Bar to Cash Payments

Checks issued by the Reorganized Debtors on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Reorganized Debtors by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made on or before the later of (a) the second (2nd) anniversary of the Effective Date or (b) ninety (90) days after the date of issuance of such check, if such check represents a final distribution under the Plan on account of such Claim. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the Reorganized Debtors shall retain all monies related thereto for the sole purpose of adding such monies to Creditor Cash for purposes of redistribution to Creditors in accordance with the terms and provisions of the Plan.

10. Distributions After Effective Date

Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

11. Setoffs

The Reorganized Debtors may, pursuant to applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature the Debtors or the Reorganized Debtors may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, Debtors in Possession or the Reorganized Debtors of any such claims, rights and causes of action that the Debtors, Debtors in Possession or the Reorganized Debtors may possess against such holder; and, provided, further, that nothing contained in the Plan is intended to limit the rights of any Creditor to rights of setoff prior to the Effective Date in accordance with the provisions of sections 362 and 553 of the Bankruptcy Code.

12. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

13. Cancellation of Existing Securities and Agreements

On the latest to occur of (a) the Effective Date, (b) the entry of a Final Order resolving all Claims in the Chapter 11 Cases and (c) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, any document, agreement, or instrument evidencing any Claim shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the Debtors under such documents, agreements or instruments evidencing such Claims shall be discharged; provided, however, that the Enron Subordinated Indenture, the Enron Senior Notes Indentures, the Enron TOPRS Indentures, the ETS Indentures and the ENA Indentures shall continue in effect for the purposes of (i) allowing the Enron Subordinated Trustee, the Enron Senior Notes Trustees, the Enron TOPRS Indenture Trustee, the ETS Indenture Trustee and the ENA Indenture Trustee to make any distributions pursuant to the Plan and to perform such other necessary functions with respect thereto, and (ii) permitting the Enron Senior Notes Indenture Trustees, the Enron Subordinated Trustee, the Enron TOPRS Indenture Trustee, the ETS Indenture Trustee and the ENA Indenture Trustee to maintain and assert any rights or liens for reasonable fees, costs, and expenses under the Indentures; and, provided, further, that, except as otherwise provided in the Plan, nothing in the Plan shall impair, affect or adversely affect the related transactions and the rights of the parties thereto.

14. Certain Indenture Trustee Fees and Expenses

In the event that the Debtors and the Creditors' Committee agree, in their joint and absolute discretion, as to the Indenture Trustee Claims incurred during the period up to and including the Effective Date, such Indenture Trustee Claims shall be paid in Cash by the Reorganized Debtors on the Effective Date, or as soon as practicable thereafter, without the need for the Indenture Trustees to file an application for allowance thereof with the Bankruptcy Court. In the event that either the Debtors or the Creditors' Committee disagrees with an Indenture Trustee as to the reasonableness of all or a portion of the fees and expenses requested in an Indenture Trustee Claim, such Indenture Trustee may, at its sole discretion, request that the Bankruptcy Court (i) determine the reasonableness and allowance of such contested amounts and (ii) direct the Reorganized Debtors to pay such additional amounts determined to be reasonable, if any, and the Debtors, Creditors' Committee and any other creditor or party in interest may object thereto. To the extent that the Reorganized Debtors fail to pay any Indenture Trustee Claim in full, whether as a result of the Bankruptcy Court's determination or an Indenture Trustee's determination not to request payment therefor, such Indenture Trustee shall have the right to assert its lien and priority rights pursuant to the applicable Indenture for payment of any unpaid amount.

15. Cancellation of PGE, CrossCountry and Prisma Securities

Upon the initial issuance of each of the PGE Common Stock, CrossCountry Common Stock and Prisma Common Stock to holders of Allowed Claims or the Operating Trusts, the Existing PGE Common Stock, stock of CrossCountry held by ENE and/or any of its subsidiaries, and stock of Prisma held by ENE and/or any of its subsidiaries, respectively, shall be cancelled.

16. Record Date

On the Record Date, registers of the respective Indenture Trustees shall be closed and the Indenture Trustees shall have no obligation to recognize any transfers of Claims arising under or related to the Enron Subordinated Indenture, the Enron Senior Notes Indentures, the ETS Indentures, the Enron TOPRS Indentures, or the ENA Indentures occurring from and after the Record Date.

S. Executory Contracts and Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

Any executory contracts or unexpired leases not set forth on the Assumption Schedule that have not expired by their own terms on or prior to the Confirmation Date, which have not been assumed and assigned or rejected with the approval of the Bankruptcy Court, or which are not the subject of a motion to assume the same pending as of the Confirmation Date shall be deemed rejected by the Debtors in Possession on the Confirmation Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

2. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Not later than ten (10) days prior to the commencement of the Confirmation Hearing, the Debtors in Possession shall file the Assumption Schedule with the Bankruptcy Court setting forth the list of executory contracts and unexpired leases to be assumed by the Debtors pursuant to the Plan as of the Effective Date, and such executory contracts and unexpired leases shall be deemed assumed as of the Effective Date. The listing of a document on the Assumption Schedule shall not constitute an admission by the Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder, with the exception of the amount of any proposed cure amount listed thereon. Unless otherwise specified on the Assumption Schedule, each executory contract or unexpired lease listed on the Assumption Schedule shall include all exhibits, schedules, riders, modifications, amendments, supplements, attachments, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Assumption Schedule. The Debtors in Possession may at any time during the period from the Confirmation Date, up to and including the Effective Date, amend the Assumption Schedule to delete any executory contracts or unexpired leases therefrom. In the event that the Debtors in Possession determine to amend the Assumption Schedule, (1) the Debtors in Possession shall file a notice (a "Rejection Notice") of any such amendment with the Bankruptcy Court and serve such Rejection Notice on any affected party and (2) any executory contract or unexpired lease deleted from the Assumption Schedule shall be deemed rejected as of the date of such Rejection Notice. Any monetary amounts required as cure payments on each executory contract and unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash on the Effective Date or upon such other terms and dates as the parties to such executory contracts or unexpired leases otherwise may agree. In the event of a dispute regarding (a) the amount of any cure payment, (b) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption arises, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be subject to the jurisdiction of the Bankruptcy Court and made following the existence of a Final Order resolving such dispute.

3. Rejection of Intercompany Trading Contracts

Notwithstanding anything contained in the Plan to the contrary, all trading contracts between or among (a) two or more Debtors or (b) a Debtor and any wholly-owned Affiliate shall be deemed for all purposes to have been rejected and otherwise terminated as of the Initial Petition Date and the values and damages attributable thereto shall be calculated as of the Initial Petition Date.

4. Rejection Damage Claims

Except with regard to executory contracts governed in accordance with the provisions of Section 31.3 of the Plan, if the rejection of an executory contract or unexpired lease by the Debtors in Possession under the Plan results in damages to the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors, or its properties or agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon attorneys for the Debtors on or before thirty (30) days after the latest to occur of (a) the Confirmation Date, (b) the date of entry of an order by the Bankruptcy Court authorizing rejection of a particular executory contract or unexpired lease and (c) the date of the Rejection Notice with respect to a particular executory contract or unexpired lease.

5. Indemnification and Reimbursement Obligations

For purposes of the Plan, the obligations of the Debtors to indemnify and reimburse its directors or officers that were directors or officers, respectively, on or prior to the Petition Date shall be treated as Section 510 Subordinated Claims. Indemnification obligations of the Debtors arising from services as officers and directors during the period from and after the Initial Petition Date shall be Administrative Expense Claims to the extent previously authorized by a Final Order.

T. Miscellaneous Provisions

1. Title to Assets

Except as otherwise provided by the Plan, including, without limitation, Section 39.2 of the Plan, on the Effective Date, title to all assets and properties encompassed by the Plan shall vest in the Reorganized Debtors free and clear of all Liens and in accordance with section 1141 of the Bankruptcy Code, and the Confirmation Order shall be a judicial determination of discharge of the liabilities of the Debtors and the Debtors in Possession except as provided in the Plan. Notwithstanding the foregoing, the Debtors and the Reorganized Debtors, in their sole and absolute discretion, may (a) encumber all of the Debtors' assets for the benefit of Creditors or (b) transfer such assets to another Entity to secure the payment and performance of all obligations provided for in the Plan.

2. Discharge of Debtors

Except as otherwise provided in the Plan, on the latest to occur of (a) the Effective Date, (b) the entry of a Final Order resolving all Claims in the Chapter 11 Cases and (c) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, all Claims against and Equity Interests in the Debtors and Debtors in Possession, shall be discharged and released in full; provided, however, that, the Bankruptcy Court may, upon request by the Reorganized Debtors, and notice and a hearing, enter an order setting forth that such Claims and Equity Interests shall be deemed discharged and released on such earlier date as determined by the Bankruptcy Court; and, provided, further, that, upon all distributions being made pursuant to the Plan, the Debtors and the Reorganized Debtors, as the case may be, shall be deemed dissolved for all purposes and the Reorganized Debtor Plan Administrator shall cause the Debtors and the Reorganized Debtors, as the case may be, to take such action to effect such dissolution in accordance with applicable state law. All Persons and Entities shall be precluded from asserting against the Debtors, the Debtors in Possession, their successors or assigns, including, without limitation, the Reorganized Debtors, the Reorganized Debtors' subsidiaries, the Reorganized Debtor Plan Administrator, their agents and employees, or their respective assets properties or interests in property, any other or further Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not the facts or legal bases therefor were known or existed prior to the Confirmation Date regardless of whether a proof of Claim or Equity Interest was filed, whether the holder thereof voted to accept or reject the Plan or whether the Claim or Equity Interest is an Allowed Claim or an Allowed Equity Interest.

3. Injunction

Except as otherwise expressly provided in the Plan, the Confirmation Order or such other order of the Bankruptcy Court that may be applicable, all Persons or Entities who have held, hold or may hold Claims or other debt or liability that is discharged or Equity Interests or other right of equity interest that is terminated or cancelled pursuant to the Plan are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or other debt or liability or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan against the Debtors, the Debtors in Possession or the Reorganized Debtors, the Debtors' estates or properties or interests in properties of the Debtors or the Reorganized Debtors, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors, the Debtors in Possession or the Reorganized Debtors, the Debtors' estates or properties or interests in properties of the Debtors, the Debtors in Possession or the Reorganized Debtors, (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, the Debtors in Possession or the Reorganized Debtors or against the property or interests in property of the Debtors, the Debtors in Possession or the Reorganized Debtors, and (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors, the Debtors in Possession or the Reorganized Debtors or against the property or interests in property of the Debtors, the Debtors in Possession or the Reorganized Debtors, with respect to any such Claim or other debt or liability that is discharged or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan; provided, however, that such injunction shall not preclude the United States of America or any of its police or regulatory agencies from enforcing their police or regulatory powers; and, provided, further, that, except in connection with a properly filed proof of claim, the foregoing proviso does not permit the United States of America or any of its police or regulatory agencies from obtaining any monetary recovery from the Debtors, the Debtors in Possession or the Reorganized Debtors or their respective property or interests in property with respect to any such Claim or other debt or liability that is discharged or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan, including, without limitation, any monetary claim or penalty in furtherance of a police or regulatory power. Such injunction (y) shall extend to all successors of the Debtors and Debtors in Possession and the Creditors' Committee and its members, and their respective properties and interests in property; provided, however, that such injunction shall not extend to or protect members of the Creditors' Committee and their respective properties and interests in property for actions based upon acts outside the scope of service on the Creditors' Committee and (z) is not intended, nor shall it be construed, to extend to the ongoing prosecution of the Class Actions.

4. Term of Existing Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105, 362 or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until entry of an order in accordance with Section 39.15 of the Plan or such other Final Order of the Bankruptcy Court.

5. Limited Release of Directors, Officers and Employees

No claims of the Debtors' estates against their present and former officers, directors, employees, consultants and agents and arising from or relating to the period prior to the Initial Petition Date are released by the Plan. As of the Effective Date, the Debtors and the Debtors in Possession shall be deemed to have waived and released its present and former directors, officers, employees, consultants and agents who were directors, officers, employees, consultants or agents, respectively, at any time during the Chapter 11 Cases, from any and all claims of the Debtors' estates arising from or relating to the period from and after the Initial Petition Date; provided, however, that, except as otherwise provided by prior or subsequent Final Order of the Bankruptcy Court, this provision shall not operate as a waiver or release of (a) any Person (i) named or subsequently named as a defendant in any of the Class Actions, (ii) named or subsequently named as a defendant in any action commenced by or on behalf of the Debtors in Possession, including any actions prosecuted by the Creditors' Committee and the Employee Committee, (iii) identified or subsequently identified as a wrongful actor in the "Report of Investigation by the Special Investigative Committee of the Board of Directors of Enron Corp.," dated February 1, 2002, (iv) identified or subsequently identified in a report by the Enron Examiner or the ENA Examiner as having engaged in acts of dishonesty or willful misconduct detrimental to the interests of the Debtors, or (v) adjudicated or subsequently adjudicated by a court of competent jurisdiction to have engaged in acts of dishonesty or willful misconduct detrimental to the interests of the Debtors or (b) any claim (i) with respect to any loan, advance or similar payment by the Debtors to any such person, (ii) with respect to any contractual obligation owed by such person to the Debtors, (iii) relating to such person's knowing fraud, or (iv) to the extent based upon or attributable to such person gaining in fact a personal profit to which such person was not legally entitled, including, without limitation, profits made from the purchase or sale of equity securities of the Debtors which are recoverable by the Debtors pursuant to section 16(b) of the Securities Exchange Act of 1934, as amended; and, provided, further, that the foregoing is not intended, nor shall it be construed, to release any of the Debtors' claims that may exist against the Debtors' directors and officers liability insurance.

6. Injunction Regarding Non-Debtors

Except as provided in the Plan, as of the Effective Date, all non-Debtor entities are permanently enjoined from commencing or continuing in any manner, any action or proceeding, whether directly, derivatively, on account of or respecting any claim, debt, right or cause of action of the Debtors, the Debtors in Possession or the Reorganized Debtors which the Debtors, the Debtors in Possession or the Reorganized Debtors, as the case may be, retain sole and exclusive authority to pursue in accordance with Section 25.1 of the Plan or which has been released pursuant to the Plan.

U. Summary of Other Provisions of the Plan

1. Preservation of Rights of Action

Except as otherwise provided in the Plan, including, without limitation, Article XXI of the Plan, or in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain sole and exclusive authority to enforce any claims, rights or causes of action that the Debtors, the Debtors in Possession or their chapter 11 estates may hold against any Entity, including any claims, rights or causes of action arising under sections 541, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code.

2. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

3. Retiree Benefits

From and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Reorganized Debtors shall continue to pay all retiree benefits (within the meaning of section 1114 of the Bankruptcy Code), if any, at the level established in accordance with subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to the Confirmation Date, and for the duration of the period during which the Debtors have obligated themselves to provide such benefits; provided, however, that the Debtors or the Reorganized Debtors may modify such benefits to the extent permitted by applicable law.

4. Post-Confirmation Date Fees and Expenses

From and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, (a) retain such professionals and (b) pay the reasonable professional fees and expenses incurred by the Reorganized Debtors and the Creditors' Committee related to implementation and consummation of the Plan, including, without limitation, reasonable fees and expenses of the Indenture Trustees incurred in connection with the distributions to be made pursuant to the Plan.

5. Severability

If, prior to the Confirmation Date, any term or provision of the Plan shall be held by the Bankruptcy Court to be invalid, void or unenforceable, including, without limitation, the inclusion of one (1) or more of the Debtors in the Plan, the Bankruptcy Court shall, with the consent of the Debtors and the Creditors' Committee, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms

6. Amendment of Articles of Incorporation and By-Laws

The articles of incorporation and by-laws of the Debtors shall be amended as of the Effective Date to provide substantially as set forth in the Reorganized Debtors Certificate of Incorporation and the Reorganized Debtors By-laws.

7. Corporate Action

On the Effective Date, the adoption of the Reorganized Debtors Certificate of Incorporation and the Reorganized Debtors By-laws shall be authorized and approved in all respects, in each case without further action under applicable law, regulation, order, or rule, including, without limitation, any action by the stockholders of the Debtors or the Reorganized Debtors. The cancellation of all Equity Interests and other matters provided under the Plan involving the corporate structure of the Reorganized Debtors or corporate action by the Reorganized Debtors shall be deemed to have occurred, be authorized, and shall be in effect without requiring further action under applicable law, regulation, order, or rule, including, without limitation, any action by the stockholders of the Debtors or the Reorganized Debtors. Without limiting the foregoing, from and after the Confirmation Date, the Debtors, the Reorganized Debtors and the Reorganized Debtor Plan Administrator may take any and all actions deemed appropriate in order to consummate the transactions contemplated in the Plan and, notwithstanding any provision contained in the Debtors' articles of incorporation and by-laws to the contrary, such Entities shall not require the affirmative vote of holders of Equity Interests in order to take any corporate action including to (i) consummate a Sale Transaction, (ii) compromise and settle claims and causes of action of or against the Debtors and their chapter 11 estates, and (iii) dissolve, merge or consolidate with any other Entity.

8. Exculpation

None of the Debtors, the Reorganized Debtors, the Creditors' Committee, the Employee Committee, the ENA Examiner (solely in his capacity as facilitator with regard to the negotiation and implementation of the Plan), the Indenture Trustees responsible for making distributions under the Plan, and any of their respective directors, officers, employees, members, attorneys, consultants, advisors and agents (acting in such capacity), shall have or incur any liability to any Entity for any act taken or omitted to be taken in connection with and subsequent to the commencement of the Chapter 11 Cases, the formulation, preparation, dissemination, implementation, confirmation or approval of the Plan or any compromises or settlements contained therein, the Disclosure Statement related thereto or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that the foregoing provisions of

Section 39.6 of the Plan shall not affect the liability of any Entity that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct. Any of the foregoing parties in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

9. Modification of Plan

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, subject to the consent of the Creditors' Committee and, in the event any amendment or modification would materially adversely affect the substance of the economic and governance provisions set forth in the Plan, including, without limitation, Article II of the Plan, the ENA Examiner as Plan facilitator, to amend or modify the Plan, the Plan Supplement or any exhibits to the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Debtors may, subject to the consent of the Creditors' Committee, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

10. Revocation or Withdrawal

a. The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors.

b. If the Plan is revoked or withdrawn prior to the Confirmation Date, or if the Plan does not become effective for any reason whatsoever, then the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims by the Debtors or any other Entity or to prejudice in any manner the rights of the Debtors or any other Entity in any further proceedings involving the Debtors.

11. Creditors' Committee – Term and Fees

From and after the Effective Date, the Creditors' Committee shall be authorized only to perform the following functions:

a. to prosecute, or to continue to prosecute, as the case may be, claims on behalf of the Debtors' estates against individual insiders of the Debtors; provided, however, that, if any such claims constitute Special Litigation Trust Claims, such claims and causes of action shall be assigned to the Special Litigation Trust and prosecuted by the Special Litigation Trustee for and on behalf of the Special Litigation Trust and the beneficiaries thereof; and

b. to complete litigation, other than such litigation referenced in Section 30.1(a) of the Plan, if any, to which the Creditors' Committee is a party as of the Effective Date.

From and after the Effective Date, the Reorganized Debtors shall pay the reasonable fees and expenses of professionals the Creditors' Committee retains or continues the retention of to satisfy the obligations and duties set forth in Section 30.1 of the Plan and shall reimburse the members of the Creditors' Committee for reasonable disbursements incurred. The Creditors' Committee shall be dissolved and the members thereof and the professionals retained by the Creditors' Committee in accordance with section 1103 of the Bankruptcy Code shall be released and discharged from their respective fiduciary obligations, upon the earlier to occur of (y) resolution of all litigation to which the Creditors' Committee is a party and (z) the entry of a Final Order dissolving the Creditors' Committee.

12. Employee Committee – Term and Fees

From and after the Confirmation Date, the Employee Committee shall be authorized only to perform the following functions:

a. to prosecute, or continue to prosecute, as the case may be, Deferred Compensation Litigation and Severance Settlement Fund Litigation; and

b. to complete litigation, other than such litigation referenced in Section 30.2(a) of the Plan, if any, to which the Employee Committee is a party as of the Confirmation Date.

From and after the Confirmation Date, the Debtors or the Reorganized Debtors, as the case may be, shall pay the reasonable fees and expenses of professionals the Employee Committee retains or continues the retention of to satisfy the obligations and duties associated with the Deferred Compensation Litigation; provided, however, that in connection with the Settlement Fund Litigation, counsel to the Employee Committee shall continue to serve as counsel to the Severance Settlement Fund Trustee and be compensated and reimbursed in accordance with the provisions of the Severance Settlement Fund Trust Agreement and the Severance Settlement Fund Order. The Employee Committee shall be dissolved and the member thereof and the professionals retained by the Employee Committee in accordance with section 327, 328 or 1102 of the Bankruptcy Code shall be released and discharged from their respective fiduciary obligations upon the earlier to occur of (y) resolution of all litigation to which the Employee Committee is a party and (z) the entry of a Final Order dissolving the Employee Committee.

13. Examiners – Terms and Fees

Except as provided below, on the tenth (10th) day following the Confirmation Date, each of the ENE Examiner and the ENA Examiner shall be released and discharged from their respective obligations outstanding pursuant to the Investigative Orders of the Bankruptcy Court; provided, however, that, notwithstanding the foregoing, during the period from the Confirmation Date up to and including (a) the earlier to occur of (1) the Confirmation Order becoming a Final Order and (2) the Effective Date, and (b) the appointment of the board of directors as described in the last sentence of Section 37.1 of the Plan, the ENA Examiner shall continue its other duties and obligations pursuant to orders of the Bankruptcy Court. On or prior to the thirtieth (30th) day following the Confirmation Date, and except as (y) otherwise available on a centralized, coded filing system available to the Debtors and the Creditors' Committee or (z) as prohibited by any existing confidentiality order entered by the Bankruptcy Court or other confidentiality agreement executed by the ENE Examiner or the ENA Examiner, as the case may be, each of the ENE Examiner and the ENA Examiner shall deliver to the Reorganized Debtors and the Creditors' Committee (i) one copy of each report filed by such Person in the Chapter 11 Cases, (ii) all material cited in the footnotes of any such report, (iii) any other materials, including, without limitation, transcripts, interview memoranda, witness folders and transactional documents and summaries thereof, produced, developed or compiled by the ENE Examiner or the ENA Examiner, in each case in connection with the Investigative Orders and (iv) a schedule of all materials which such Entity is, or claims to be, precluded from delivering to the Debtors or the Creditors' Committee, in each case in connection with the Investigative Orders.

14. Fee Committee – Term and Fees

From and after the Confirmation Date, the members of the Fee Committee and the Fee Committee's employees and representatives shall continue to serve and be authorized to perform the following functions:

a. to review, analyze and prepare advisory reports with respect to applications for the payment of fees and the reimbursement of expenses of professionals retained in the Chapter 11 Cases pursuant to an order of the Bankruptcy Court during the period up to and including the Confirmation Date, including, without limitation, final fee applications in accordance with sections 328, 330, 331 and 503 of the Bankruptcy Code; and

b. if necessary, appear before the Bankruptcy Court with respect to any such application.

From and after the Confirmation Date, the Reorganized Debtors shall pay the reasonable fees and expenses of the members of the Fee Committee and the Fee Committee's employees and representatives to satisfy the obligations and duties set forth in Section 30.4 of the Plan. Notwithstanding the foregoing, the Fee Committee shall be dissolved and the members thereof and the employees and professionals retained by the Fee Committee shall be released and discharged from their respective obligations upon the earlier to occur of (i) the one (1) year anniversary of the Confirmation Date and (ii) satisfaction of the obligations and duties set forth in Section 28.4 of the Plan.

15. Mediator – Term and Fees

From and after the Confirmation Date and until such time as the Mediator terminates all efforts with respect thereto, the Reorganized Debtors shall continue to participate in the mediation required by the Mediation Orders. In accordance with the Mediation Orders, the Reorganized Debtors shall be responsible for their one-third (1/3) share of the Mediator's expenses and such expenses shall be treated as Administrative Expense Claims in accordance with the provisions of the Plan and the Confirmation Order.

16. Employee Counsel

From and after the Confirmation Date and until such time as the board of directors of Reorganized ENE determines otherwise, all counsel retained and authorized to provide services to then-current employees of the Debtors pursuant to the Employee Counsel Orders shall continue to provide services to such employees in accordance with the provisions contained therein; provided, however, that, nothing contained in Section 30.6 of the Plan shall inhibit, prejudice or otherwise affect the rights of the Creditors' Committee with respect to its appeals of the Employee Counsel Orders in connection with fees and expenses incurred prior to the Confirmation Date.

VII. Estate Management And Liquidation

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Post-Effective Date

1. Role of the Reorganized Debtor Plan Administrator

On the Effective Date, compliance with the provisions of the Plan will become the general responsibility of the Reorganized Debtor Plan Administrator, an employee of the Reorganized Debtors (subject to the supervision of the Board of Directors of the Reorganized Debtors), pursuant to and in accordance with the provisions of the Plan and the Reorganized Debtor Plan Administration Agreement. The responsibilities of the Reorganized Debtor Plan Administrator shall include (a) facilitating the Reorganized Debtors' prosecution or settlement of objections to and estimations of Claims, (b) prosecuting or settling claims and causes of action held by the Debtors and Debtors in Possession, (c) assisting the Litigation Trustee and the Special Litigation Trustee in performing their respective duties, (d) calculating and assisting the Disbursing Agent in implementing all distributions in accordance with the Plan, (e) filing all required tax returns and paying taxes and all other obligations on behalf of the Reorganized Debtors from funds held by the Reorganized Debtors, (f) reporting periodically to the Bankruptcy Court regarding the status of the Claims resolution process, distributions on Allowed Claims and prosecution of causes of action, (g) liquidating the Remaining Assets and providing for the distribution of the net proceeds thereof in accordance with the provisions of the Plan, and (h) such other responsibilities as may be vested in the Reorganized Debtor Plan Administrator pursuant to the Plan, the Reorganized Debtor Plan Administration Agreement or Bankruptcy Court order as may be necessary and proper to carry out the provisions of the Plan.

Additionally**,** the Reorganized Debtor Plan Administrator's powers will, without any further Bankruptcy Court approval in each of the following cases, include (a) the power to invest funds in, and withdraw, make distributions and pay taxes and other obligations owed by the Reorganized Debtors from funds held by the Reorganized Debtor Plan Administrator and/or the Reorganized Debtors in accordance with the Plan, (b) the power to compromise and settle Claims and causes of action on behalf of or against the Reorganized Debtors other than Litigation Trust Claims, Special Litigation Trust Claims and claims and causes of action that are the subject of the Severance Settlement Fund Litigation, and (c) such other powers as may be vested in or assumed by the Reorganized Debtor Plan Administrator pursuant to the Plan, the Reorganized Debtor Plan Administration Agreement or as may be deemed necessary and proper to carry out the provisions of the Plan. Refer to Exhibit 1: "Chapter 11 Plan" for additional information.

2. Role of the Reorganized Debtors

Pursuant to the Plan, as of the Effective Date, the Reorganized Debtors will assist the Reorganized Debtor Plan Administrator in performing the following activities: (a) holding the Operating Entities for the benefit of Creditors and providing certain transition services to such entities, (b) liquidating the Remaining Assets, (c) making distributions to Creditors pursuant to the terms of the Plan, (d) prosecuting Claim objections and litigation, (e) winding up the Debtors' business affairs, and (f) otherwise implementing and effectuating the terms and provisions of the Plan.

B. Operating Entities and Trusts

1. Operating Entities

a. PGE

Refer to Section VIII., "Portland General Electric Company" for further information relating to PGE.

(i) Assets. Unless PGE is sold to a third party, the Reorganized Debtors will hold common stock in PGE until (i) such shares of common stock are cancelled and newly issued shares of PGE Common Stock are issued and distributed to the Creditors or an Operating Trust, or (ii) such shares are assigned to a holding company and the holding company's shares are issued and distributed to the Creditors, each in accordance with the Plan.

(ii) Auxiliary Agreements. PGE has entered into a master services agreement with affiliates, including ENE. The PGE MSA allows PGE to provide affiliates with the following general types of services: printing and copying, mail services, purchasing, computer hardware and software support, human resources support, library services, tax and legal services, accounting services, business analyses, purchasing, product development, finance and treasury support, and construction and engineering services. The PGE MSA also allows ENE to provide PGE with the following services: executive oversight, general governance, financial services, human resource support, legal services, governmental affairs service, and public relations and marketing services. PGE services are priced at the higher of fully allocated cost or market (unless specified otherwise) while affiliate services are priced at the lower of cost or market (unless specified otherwise). ENE provides certain employee health and welfare benefits and insurance services to PGE under the PGE MSA that are directly allocated or billed to PGE based upon PGE's usage or the cost for those services. In addition, ENE provides administrative services to PGE under the PGE MSA for a fee equal to the total cost of these services multiplied by an allocation factor based on the Modified Massachusetts Formula (a formula that takes a number of factors into account such as income, assets, and employees). Moreover, PGE provides certain administrative services to ENE and services to certain ENE affiliates under the PGE MSA. The provision of these services is anticipated to continue until such services are replaced, which ENE expects will occur by the end of 2004. ENE, ENE affiliates, and PGE may enter into other arrangements that may extend beyond 2004, subject to Bankruptcy Court approval if such agreements are reached before the Effective Date of the Plan.

(iii) Tax Allocation Agreement. PGE has entered into a tax-sharing arrangement with ENE pursuant to which PGE will be responsible for the amount of income tax that PGE would have paid on a "stand alone" basis and ENE will be obligated to make payments to PGE as compensation for the use of PGE's losses and/or credits to the extent that such losses and/or credits have reduced the consolidated income tax liability. The parties will cause their respective subsidiaries to consent to filing of a consolidated return until such time as ENE, in the exercise of its sole discretion, elects to refrain from filing a consolidated return. ENE will be responsible for, among other things, the preparation and filing of all required consolidated returns on behalf of PGE and its subsidiaries, making elections and adopting accounting methods, filing claims for refunds or credits and managing audits and other administrative proceedings conducted by the taxing authorities. After the Effective Date, ENE and PGE will continue to be parties to this tax sharing agreement, or a new agreement on similar terms, until ENE and PGE no longer file consolidated tax returns. It is intended that ENE and PGE will file consolidated tax returns until ENE no longer owns 80% of the capital stock of PGE, which may occur by a sale of PGE stock to a third party or the cancellation of PGE stock held by ENE to issue new stock to the Creditors. ENE will allocate the consolidated tax liability for each taxable period to PGE and its subsidiaries in accordance with the requirements of the IRC and treasury regulations.

b. CrossCountry

Refer to Section IX., "CrossCountry Energy Corp." for further information relating to CrossCountry.

(i) Assets. Unless CrossCountry is sold to a third party, the Reorganized Debtors will hold common stock in CrossCountry until (i) such shares are cancelled and shares of CrossCountry Common Stock are issued to the Creditors or an Operating Trust, or (ii) such shares are assigned to a holding company and the holding company's shares are issued to the Creditors, each in accordance with the Plan.

(ii) Auxiliary Agreements. The Reorganized Debtors anticipate providing transition services, including administrative operation management, through approximately December 31, 2004. Refer to Section IX.F.1., "Formation of CrossCountry" for further information.

(iii) Tax Allocation Agreement. In conjunction with the formation and implementation of CrossCountry, CrossCountry, Northern Plains, Pan Border, NBP Services, Transwestern Holding, Transwestern and CGNN will enter into a Tax Allocation Agreement with ENE. The Tax Allocation Agreement will set forth the respective rights and responsibilities of the parties to the agreement with respect to taxes. For additional information, refer to Section IX.F.1.d., "Tax Allocation Agreement".

c. Prisma

Refer to Section X., "Prisma Energy International Inc." for further information relating to Prisma.

(i) Assets. Unless Prisma is sold to a third party, the Reorganized Debtors will hold common stock in Prisma until such shares of Common Stock are cancelled and newly issued shares of Prisma Common Stock are distributed to the Creditors or an Operating Trust in accordance with the Plan.

(ii) Auxiliary Agreements. The Reorganized Debtors anticipate providing and receiving transition services to and from Prisma (including administrative and other support services, through a date to be determined) and may enter into other arrangements. The current transition services agreement is scheduled to expire upon the earliest of December 31, 2005 or, for each asset which transition services are provided, shortly after transfer of the asset to Prisma, a Prisma subsidiary, or a third party. Refer to Section X.A.3.b., "Formation of Prisma and Contribution of Prisma Assets" for further information.

(iii) Tax Allocation Agreement. The Reorganized Debtors anticipate entering into a Tax Allocation Agreement with Prisma and its subsidiaries. Refer to Section IX.F.1.d., "Tax Allocation Agreement".

2. Operating Trusts

Notwithstanding the foregoing, upon joint determination of the Debtors and the Creditors' Committee, the shares of PGE Common Stock, CrossCountry Common Stock and Prisma Common Stock will be transferred to the holders of certain Allowed Claims, which will be held by the Debtors acting on their behalf. Immediately thereafter, on behalf of the holders of such Allowed Claims, the Debtors shall transfer such shares, subject to the Operating Trust Agreements, to the Operating Trusts for the benefit of the holders of such Allowed Claims in accordance with the Plan. Refer to Exhibit 1: "Chapter 11 Plan" for further information.

a. Establishment of the Trusts. On or after the Confirmation Date, but prior to the Effective Date, and upon the joint determination of the Debtors and the Creditors' Committee, the Debtors, on their own behalf and on behalf of holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, shall execute the respective Operating Trust Agreements and shall take all other steps necessary to establish the respective Operating Trusts. On such date, or as soon as practicable thereafter, including, without limitation, subject to appropriate or required governmental, agency or other consents, and in accordance with and pursuant to the terms of Section 21.4 of the Plan, the Debtors shall transfer to the respective Operating Trusts all of their right, title, and interest in the assets subject to the Operating Trust Agreements.

b. Purpose of the Operating Trusts. The Operating Trusts shall be established for the sole purpose of holding and liquidating the respective assets in the PGE Trust, the CrossCountry Trust and the Prisma Trust in accordance with Treasury Regulation Section 301.7701-4(d) and the terms and provisions of the Operating Trust Agreements. Without limiting the foregoing, the Operating Trust Agreements shall each provide that the applicable Operating Trust shall not distribute any of the PGE Common Stock, CrossCountry Common Stock or Prisma Common Stock, as the case may be, prior to the date referred to in Sections 29.1(c)(i), (ii) and (iii) of the Plan.

c. **Funding Expenses of the Operating Trusts.** In accordance with the respective Operating Trust Agreements and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall have no obligation to provide any funding with respect to any of the Operating Trusts.

d. **Transfer of Assets**

(i) The transfer of assets to the Operating Trusts shall be made, as provided in the Plan, for the benefit of the holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, only to the extent such holders in such Classes are entitled to distributions under the Plan. In partial satisfaction of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, the assets subject to the respective Operating Trusts shall be transferred to such holders of Allowed Claims, to be held by the Debtors on their behalf. Immediately thereafter, on behalf of the holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, the Debtors shall transfer such assets to the Operating Trusts for the benefit of holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, in accordance with the Plan.

(ii) For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Operating Trustee and the beneficiaries of the Operating Trusts) shall treat the transfer of assets to the respective Operating Trusts in accordance with the terms of the Plan, as a transfer to the holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375, followed by a transfer by such holders to the respective Operating Trusts and the beneficiaries of the Operating Trusts shall be treated as the grantors and owners thereof.

e. **Valuation of Assets.** As soon as possible after the Effective Date, but in no event later than thirty (30) days thereafter, the respective Operating Trust Boards shall inform, in writing, the Operating Trustee of the value of the assets transferred to the respective Operating Trusts, based on the good faith determination of the respective Operating Trust Boards, and the Operating Trustee shall apprise, in writing, the beneficiaries of the respective Operating Trusts of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Operating Trustee and the beneficiaries of the Operating Trusts) for all federal income tax purposes.

f. **Investment Powers.** The right and power of the Operating Trustee to invest assets transferred to the Operating Trusts, the proceeds thereof, or any income earned by the respective Operating Trusts, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 21.7 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Operating Trustee may expend the assets of the Operating Trusts (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Operating Trusts during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Operating Trusts or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Operating Trusts (or to which the assets are otherwise subject) in accordance with the Plan or the Operating Trust Agreements; and, provided, further, that, under no circumstances, shall the Operating Trusts segregate the assets of the Operating Trusts on the basis of classification of the holders of respective Operating Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the Plan.

g. Annual Distribution; Withholding. The Operating Trustee shall distribute at least annually to the holders of respective Operating Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Operating Trusts may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Operating Trusts during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Operating Trusts or in respect of the assets of the Operating Trust), and (iii) to satisfy other liabilities incurred or assumed by the Operating Trusts (or to which the assets are otherwise subject) in accordance with the Plan or the Operating Trust Agreements. All such distributions shall be pro rata based on the number of Operating Trust Interests held by a holder compared with the aggregate number of Operating Trust Interests outstanding, subject to the terms of the Plan and the respective Operating Trust Agreements. The Operating Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Operating Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

h. Reporting Duties

(i) Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Operating Trustee of a private letter ruling if the Operating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Operating Trustee), the Operating Trustee shall file returns for the Operating Trusts as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Operating Trustee shall also annually send to each holder of a Operating Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and shall instruct all such holders to report such items on their federal income tax returns.

(ii) Allocations of Operating Trusts Taxable Income. Allocations of Operating Trusts taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described in the Plan) if, immediately prior to such deemed distribution, the Operating Trusts had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Operating Trust Interests (treating any holder of a Disputed Claim, for this purpose, as a current holder of a Operating Trust Interest entitled to distributions), taking into account all prior and concurrent distributions from the Operating Trusts (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Operating Trusts shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining assets of an Operating Trust. The tax book value of the assets of an Operating Trust for this purpose shall equal their fair market value on the date such Operating Trusts were created or, if later, the date such assets were acquired by the Operating Trust, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

(iii) **Other**. The Operating Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Operating Trusts that are required by any governmental unit.

i. **Trust Implementation.** On or after the Confirmation Date, but prior to the Effective Date, the Operating Trusts shall be established and become effective for the benefit of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375. The Operating Trust Agreements shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Operating Trusts as grantor trusts for federal income tax purposes. All parties (including the Debtors, the Operating Trustee and holders of Allowed Claims in Classes 3 through 178, 181 through 184 and 366 through 375) shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Operating Trusts.

j. **Registry of Beneficial Interests.** The Operating Trustee shall maintain a registry of the holders of Operating Trust Interests.

k. **Termination.** The Operating Trusts shall terminate no later than the third (3rd) anniversary of the Confirmation Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Operating Trusts if it is necessary to the liquidation of the assets of Operating Trusts. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term; provided, however, that the aggregate of all such extensions shall not exceed three (3) years from and after the third (3rd) anniversary of the Confirmation Date.

l. **Non-Transferability or Certification.** Upon the creation of each Operating Trust, the beneficial interests in such Operating Trust shall be allocated on the books and records of such Operating Trust to the appropriate holders thereof, but such interests shall not be certificated and shall not be transferable by the holder thereof except through the laws of descent or distribution.

C. Remaining Assets

1. Categories of Remaining Assets

It is anticipated that the Reorganized Debtors will retain all assets that will not be transferred to the Litigation Trust, Special Litigation Trust, Severance Settlement Fund Trust, or the Operating Trusts. These Remaining Assets may include, but are not limited to, Cash, claims and causes of action against third parties on behalf of the Debtors' estates (including, but not limited to, avoidance actions), proceeds of liquidated assets, the Debtors' stock in the Enron Companies, trading contracts, equity investments, inventory, real property, and other miscellaneous assets.

The Reorganized Debtor Plan Administrator, with assistance from the Reorganized Debtors, will collect and liquidate the Remaining Assets and distribute the proceeds to Creditors pursuant to the terms of the Plan. The board of directors of the Reorganized Debtors will supervise this process. Poor market conditions, litigation, and complex ownership structures may result in the retention of certain assets for an extended period of time. As a result, the Reorganized Debtors and the Reorganized Debtor Plan Administrator will continue to manage and operate these assets until a favorable sale or resolution of each of the Remaining Assets is finalized. Refer Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of the risks related to the Reorganized Debtors.

The following provides a brief description of the Remaining Assets:

a. Creditor Cash. The Enron Companies have received a significant amount of Cash as a result of asset sales and the liquidation of the wholesale and retail trading books during the Chapter 11 Cases. The postpetition Cash collected to date plus the Cash collected by the Reorganized Debtors as part of their future liquidation efforts will be distributed by the Reorganized Debtor Plan Administrator in accordance with the Plan after the satisfaction of certain obligations, including Administrative Expense Claims, Priority Non-Tax Claims, Priority Tax Claims, Convenience Claims, Secured Claims, funds necessary to operate the Litigation Trust and Special Litigation Trust, funds necessary to make pro rata distributions to holders of Disputed Claims as if such Disputed Claims were, at such time, Allowed Claims, and funds necessary for the ongoing operations of the Reorganized Debtors from the Effective Date until such later date as reasonably determined by the Reorganized Debtor Plan Administrator.

b. Trading Contracts

(i) Wholesale Trading. As described in Section IV.B.1., "Resolution of the Wholesale Trading Book", the Wholesale Services Debtors and certain of their non-Debtor Wholesale Services affiliates have undertaken efforts to perform, sell, or settle a significant number of non-terminated and terminated positions arising out of Wholesale Contracts.

As of June 30, 2003, the Wholesale Services Debtors and certain of their non-Debtor Wholesale Services affiliates had Wholesale Contracts with approximately 1,400 counterparty groups totaling approximately $1.235 billion of expected recoverable value. Substantially all of the collections and cash settlements of Wholesale Contracts are expected to be resolved prior to the Effective Date. Those Wholesale Contracts that cannot be settled are either currently in or may require litigation in order to collect outstanding balances. Any recovery from such litigation involving a Debtor will be included in the Remaining Assets available for subsequent distribution.

(ii) Retail Trading. As described in Section IV.B.2., "Retail Contract Settlements" the Retail Services Debtors and their non-Debtor Retail Services affiliates have undertaken efforts to perform, sell, settle, or reject a significant number of non-terminated and terminated positions arising out of Retail Contracts.

As of June 30, 2003, the Retail Services Debtors and certain of their non-Debtor Retail Services affiliates had Retail Contracts with approximately 9,900 counterparty groups totaling approximately $168.3 million of expected recoverable value.

The Debtors are attempting to settle each of the Retail Contracts on a case-by-case basis, with the largest accounts taking priority. If the Debtors are unable to collect, or reach a settlement on, these contracts, the Debtors or Reorganized Debtor Plan Administrator may initiate litigation in order to collect outstanding balances.

c. Other Recoveries

(i) Recoveries in PG&E Bankruptcy. A significant portion of the balances owed in retail trading involves claims that ENE has in PG&E's bankruptcy. There is uncertainty around the collection of these claims; however, ENE has undertaken settlement negotiations with PG&E.

(ii) Recoveries from European Estates. A significant amount of money is due from the sale of assets of ENE's direct and indirect European subsidiaries under UK administration. The administrator in the UK process is responsible for selling assets and, under a Scheme of Arrangement, will make distributions to creditors and, when applicable, equity security holders. There is uncertainty regarding the amount, timing and frequency of any distributions to be made to the Debtors or the Reorganized Debtors. Refer to Section V., "Certain International Subsidiaries and Related International Proceedings" for further information.

d. Remaining Assets Currently Available For Sale. As of June 30, 2003, the Debtors and certain of their non-Debtor affiliates had identified approximately 220 assets available for sale with an expected recovery to the Debtors' estates totaling approximately $1.1 billion. These assets include direct or indirect ownership and/or operation of businesses and investments related to a variety of industries, including paper production, oil and gas exploration and production, power generation, intrastate natural gas pipeline operations, natural gas pipeline compression services and energy and telecommunications-related technology businesses. The balance of the assets is made up of miscellaneous assets, including: contingent receivables, inventory, real property, insurance and emissions credits.

The Reorganized Debtor Plan Administrator, with supervision from the board of directors of the Reorganized Debtors, will continue to monitor market conditions and identify when there is sufficient interest in a particular asset to pursue a sale. Priority will be given to the assets with the greatest potential recoverable value; however, many of these sales efforts may be delayed due to regulatory issues, ownership through SPEs, or litigation.

The assets with more significant expected recoveries to the Debtors' estates are listed below:

(i) **CPS and St. Aurelie Timberlands Co. Ltd.** 100% interest in a 500,000 tonne/year newsprint, directory paper and paperboard mill in Quebec City, Quebec, Canada along with a sawmill and timberlands in Quebec and timberlands in Maine. Refer to Section I.B.2.d., "Asset Ownership Disputes Between ENE and ENA" for information relating to ownership disputes involving CPS.

(ii) **Sithe Sub Debt.** SIPP, a non-Debtor affiliate, owns a 1,042-MW power plant in western New York. SIPP's primary revenue contracts are a power purchase contract with ConEd (approximately 61% of revenues) and a tolling agreement with Dynegy (approximately 33% of revenues). As a result of a series of transactions that closed June 30, 2001, ENA owns two investments in SIPP. The two investments are (1) 40% of SIPP's partnership interest and (2) approximately $419 million in subordinated debt that matures in 2034, and requires semi-annual interest payments of 7% to ENA (the payments are interest only through 2015).

(iii) **Bridgeline**. Bridgeline Holdings is a limited partnership that was formed by ENA and TEPI to aggregate approximately 1,000 miles of mainline intrastate natural gas pipeline and 13 Bcf of working gas storage capacity in Louisiana. Certain Enron Affiliates collectively own a 40% LP interest in Bridgeline Holdings. The general partner of Bridgeline Holdings is Bridgeline LLC, which is equally controlled by ENA and TEPI subsidiaries. Refer to Section I.B.2.d., "Asset Ownership Disputes Between ENE and ENA" for further information relating to ownership disputes involving Bridgeline Holdings.

(iv) **Financial Swap.** A JEDI II wholly owned subsidiary sold the majority of its remaining equity interest in a venture in early 2001. Pursuant to the sale, the JEDI II subsidiary receives scheduled quarterly payments commencing May 15, 2001 and ending February 15, 2008. The payments are guaranteed by a non-investment grade affiliate of the payor. It is anticipated that JEDI II will either (1) retain the quarterly payments through February 2008, (2) monetize the quarterly payments or (3) exchange the quarterly payments with the payment's guarantor for a readily marketable security

(v) **Enron Compression Services.** Enron Compression Services promotes the utilization of electric motor drive systems in association with natural gas compression applications. It manages and operates five compressor stations for Transwestern, Florida Gas, and NNG.

(vi) **ServiceCo.** ServiceCo provides HVAC (heating, ventilation, and air conditioning) services and full building facility services to commercial customers nationwide. ENE has a 65.8% equity interest in ServiceCo. Refer to Section IV.B.4.e., "Redemption of ServiceCo Shares".

(vii) **Mariner.** Mariner is a privately held exploration and production company that focuses its exploration in the deepwater and shelf areas of the Gulf of Mexico. Excluding Falcon Corridor reserves that were sold in March 2003, Mariner had total proved reserves of 167.5 Bcf equivalents as of December 31, 2002, of which 60% was natural gas and 40% was oil and condensate. ENE indirectly owns a 95.7% (89.9% fully diluted) equity interest in Mariner. Mariner Energy LLC, the parent entity of Mariner, has a $164.4 million term loan (as of December 31, 2002) that bears interest at 15%. Such debt will materially reduce net recoverable value of Mariner equity to the ENE estate.

2. The Remaining Asset Trusts

Notwithstanding the foregoing, upon joint determination of the Debtors and the Creditors' Committee, the Debtors' interests in the Remaining Assets will be transferred to the holders of certain Allowed Claims, which will be held by the Debtors acting on their behalf. Immediately thereafter, on behalf of the holders of such Allowed Claims, the Debtors shall transfer such assets, subject to the Remaining Asset Trust Agreements, to the Remaining Asset Trusts for the benefit of the holders of such Allowed Claims in accordance with the Plan. Refer to Appendix L: "Liquidation Analysis" for further information.

a. Establishment of the Trusts. On or after the Confirmation Date, but prior to the Effective Date, and upon the joint determination of the Debtors and the Creditors' Committee, the Debtors, on their own behalf and on behalf of holders of Allowed Claims in Classes 3 through 184 and 366 through 375, shall execute the respective Remaining Asset Trust Agreements and shall take all other steps necessary to establish the respective Remaining Asset Trusts. On such date, or as soon as practicable thereafter, including, without limitation, subject to appropriate or required governmental agency or other consents, and in accordance with and pursuant to the terms of Section 22.4 of the Plan, the Debtors shall transfer to the respective Remaining Asset Trusts all of their right, title, and interest in the Remaining Assets.

b. Purpose of the Remaining Asset Trusts. The Remaining Asset Trusts shall be established for the sole purpose of holding and liquidating the respective assets in the Remaining Asset Trusts in accordance with Treasury Regulation Section 301.7701-4(d) and the terms and provisions of the Remaining Asset Trust Agreements.

c. Funding Expenses of the Remaining Asset Trusts. In accordance with the respective Remaining Asset Trust Agreements and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall have no obligation to provide any funding with respect to any of the Remaining Asset Trusts.

d. Transfer of Assets

(i) The transfer of assets to the Remaining Asset Trusts shall be made, as provided in the Plan, for the benefit of the holders of Allowed Claims in Classes 3 through 184 and 366 through 375, only to the extent such holders in such Classes are entitled to distributions under the Plan. In partial satisfaction of Allowed Claims in Classes 3 through 184 and 366 through 375, the Remaining Assets shall be transferred to such holders of Allowed Claims, to be held by the Debtors on their behalf. Immediately thereafter, on behalf of the holders of Allowed Claims in Classes 3 through 184 and 366 through 375, the Debtors shall transfer such assets to the Remaining Asset Trusts for the benefit of holders of Allowed Claims in Classes 3 through 184 and 366 through 375, in accordance with the Plan. Upon the transfer of the Remaining Assets, the Debtors shall have no interest in or with respect to the Remaining Assets or the Remaining Asset Trusts.

(ii) For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Remaining Asset Trustee and the beneficiaries of the Remaining Asset Trusts) shall treat the transfer of assets to the respective Remaining Asset Trusts in accordance with the terms of the Plan, as a transfer to the holders of Allowed Claims in Classes 3 through 184 and 366 through 375, followed by a transfer by such holders to the Remaining Asset Trust and the beneficiaries of the respective Remaining Asset Trusts shall be treated as the grantors and owners thereof.

e. Valuation of Assets. As soon as possible after the Effective Date, but in no event later than thirty (30) days thereafter, the respective Remaining Asset Trust Boards shall inform, in writing, the Remaining Asset Trustees of the value of the assets transferred to the respective Remaining Asset Trusts, based on the good faith determination of the respective Remaining Asset Trust Boards, and the Remaining Asset Trustees shall apprise, in writing, the beneficiaries of the respective Remaining Asset Trusts of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Remaining Asset Trustees and the beneficiaries of the Remaining Asset Trusts) for all federal income tax purposes.

f. Investment Powers. The right and power of the Remaining Asset Trustee to invest assets transferred to the Remaining Asset Trusts, the proceeds thereof, or any income earned by the respective Remaining Asset Trusts, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 22.7 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Remaining Asset Trustee may expend the assets of the Remaining Asset Trusts (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Remaining Asset Trusts during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Remaining Asset Trusts or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Remaining Asset Trusts (or to which the assets are otherwise subject) in accordance with the Plan or the Remaining Asset Trust Agreements; and, provided, further, that, under no circumstances, shall the Remaining Asset Trustee segregate the assets of the Remaining Asset Trust on the basis of classification of the holders of Remaining Asset Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the Plan.

g. Annual Distribution; Withholding. The Remaining Asset Trustee shall distribute at least annually to the holders of Remaining Asset Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Remaining Asset Trusts may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Remaining Asset Trusts during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Remaining Asset Trust or in respect of the assets of the Remaining Asset Trusts), and (iii) to satisfy other liabilities incurred or assumed by the

Remaining Asset Trusts (or to which the assets are otherwise subject) in accordance with the Plan or the Remaining Asset Trust Agreements. All such distributions shall be pro rata based on the number of Remaining Asset Trust Interests held by a holder compared with the aggregate number of Remaining Asset Trust Interests outstanding, subject to the terms of the Plan and the Remaining Asset Trust Agreements. The Remaining Asset Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Remaining Asset Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

h. Reporting Duties

(i) Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Remaining Asset Trustee of a private letter ruling if the Remaining Asset Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Remaining Asset Trustee), the Remaining Asset Trustee shall file returns for the Remaining Asset Trusts as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Remaining Asset Trustee shall also annually send to each holder of a Remaining Asset Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and shall instruct all such holders to report such items on their federal income tax returns.

(ii) Allocations of Remaining Asset Trust Taxable Income. Allocations of Remaining Asset Trust taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described in the Plan) if, immediately prior to such deemed distribution, the Remaining Asset Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Remaining Asset Trust Interests (treating any holder of a Disputed Claim, for this purpose, as a current holder of a Remaining Asset Trust Interest entitled to distributions), taking into account all prior and concurrent distributions from the Remaining Asset Trust (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Remaining Asset Trusts shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Remaining Asset Trust Assets. The tax book value of the Remaining Asset Trust Assets for this purpose shall equal their fair market value on the date such Remaining Assets Trusts were created or, if later, the date such assets were acquired by the Remaining Asset Trusts, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

(iii) Other. The Remaining Asset Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Remaining Asset Trusts that are required by any governmental unit.

i. Trust Implementation. On or after the Confirmation Date, but prior to the Effective Date, the Remaining Asset Trusts will be established and become effective for the benefit of Allowed Claims in Classes 3 through 184 and 366 through 375. The Remaining Asset Trust Agreements shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Remaining Asset Trusts as grantor trusts for federal income tax purposes. All parties (including the Debtors, the Remaining Asset Trustee and holders of Allowed Claims in Classes 3 through 184 and 366 through 375) shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Remaining Asset Trusts.

j. Registry of Beneficial Interests. The Remaining Asset Trustee shall maintain a registry of the holders of Remaining Asset Trust Interests.

k. Termination. The Remaining Asset Trusts shall terminate no later than the third (3rd) anniversary of the Confirmation Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Remaining Asset Trusts if it is necessary to the liquidation of the Remaining Asset Trust Assets. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term; provided, however, that the aggregate of all such extensions shall not exceed three (3) years from and after the third (3rd) anniversary of the Confirmation Date.

l. Non-Transferability or Certification. Upon the creation of the Remaining Asset Trusts, the Remaining Asset Trust Interests shall be allocated on the books and records of the Remaining Asset Trusts to the appropriate holders thereof, but the Remaining Asset Trust Interests shall not be certificated and shall not be transferable by the holder thereof except through the laws of descent or distribution; provided, however, that the deemed recipient thereof may hold such Remaining Asset Trust Interests through a single wholly owned Entity.

D. Other Administration

1. Claims Processing

The Reorganized Debtors will be responsible for processing all Claims that have been filed against the Debtors. More than 23,000 claims have been filed in the Debtors Chapter 11 Cases (34% are employee claims, 17% are non-trading accounts payable claims, 16% are trading–related payables and contract claims, 12% are litigation and non-trading contract claims, 11% are common and preferred equity claims, and 10% are other claims). Refer to Section XVII., "Claims Allowance, Objection and Estimation Procedures" for further information regarding Claims.

2. Legal Entities

On the Initial Petition Date, the Enron Companies totaled approximately 2,400 legal entities. Approximately 600 entities have been sold, merged, or dissolved and approximately 1,800 legal entities remain. As part of the efforts to wind up the Debtors' business affairs, the Reorganized Debtors will be responsible for the dissolution of the legal entities remaining outside of the Operating Entities. By the end of 2004, it is anticipated that all legal entities will be reduced to those necessary for the Operating Entities and the liquidation of the Remaining Assets. At the time that legal entities are sold or dissolved, their associated shares will be sold, surrendered, or otherwise disposed of.

3. Prosecuting Claim Objections and Litigation

Except with respect to the Litigation Trust Claims, the Special Litigation Trust Claims and the Severance Settlement Fund Litigation, from and after the Effective Date, the Reorganized Debtors shall, as a representative of the estates of the Debtors, litigate any claims or causes of action that constituted or could result in recovery of Assets of the Debtors or Debtors in Possession, including, without limitation, any avoidance or recovery actions under sections 541, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code and any other causes of action, rights to payments of claims that may be pending on the Effective Date or instituted by the Debtors or Debtors in Possession thereafter, to a Final Order, and the Reorganized Debtors may compromise and settle such claims, without approval of the Bankruptcy Court. The net proceeds of any such litigation or settlement (after satisfaction of all costs and expenses incurred in connection therewith) shall be remitted to the Disbursing Agent for (i) allocation to the Debtor that owned such Asset and (ii) distribution in accordance with the Distributive Assets, Enron Guaranty Distributive Assets, or Wind Guaranty Distributive Assets, as the case may be, attributable to such Debtor.

4. Budget

Post-confirmation, the Debtors and Reorganized Debtors are expected to incur significant expenses as a result of the wind up of their respective estates. Those expenses include operating expenses, litigation expenses and professional fees. The Debtors' and Reorganized Debtors' ongoing expenses are expected to be satisfied by current cash, proceeds from asset sales and collections, and proceeds from litigation proceedings, and should not require the infusion of external capital. Refer to Appendix G: "Reorganized Debtors' Budget", Sections IV.E., "Avoidance Actions" and XVII., "Claims Allowance, Objection and Estimation Procedures" for further information.

a. Operating Expenses. The operating expenses are made up primarily of the cost of labor resources needed to manage and liquidate the Remaining Assets, evaluate Claims and perform other estate wind-down activities, such as the dissolution of legal entities. The wind down of the Debtors' estates remains a complicated process and will therefore require substantial resources. There are a significant number of individual assets that need to be collected or sold, or otherwise handled. Some of these assets are currently involved in litigation proceedings and/or complex cross-ownership structures. Considerable due diligence is required for the dissolution of legal entities and the resolution of Claims. The Reorganized Debtors expect to employ 1,021 employees and contractors as of the Confirmation Date. It is expected that the most significant operating expenses will occur in the first year and that resource requirements will diminish as assets are sold and the Reorganized Debtors achieve resolution/completion on the outstanding projects. Refer to Appendix G: "Reorganized Debtors' Budget" for a budget of the Reorganized Debtors.

b. Litigation Expenses. As discussed in more detail in Section IV.C., "Litigation and Government Investigations", the Reorganized Debtors are involved in numerous legal proceedings that will require substantial time and resources. As of the Confirmation Date, it is anticipated that the Reorganized Debtors will have significant expenses in connection with litigation. These expenses are yet to be finalized but are expected to be material in comparison to the operating expenses. Refer to Sections IV.C., "Litigation and Government Investigations" and IV.E., "Avoidance Actions" for further information.

c. Professional Fees. As of the Confirmation Date, it is expected that the Reorganized Debtors will continue to incur professional service fees until the Chapter 11 Cases are closed. These fees are related to professionals retained by the Reorganized Debtors, in the ordinary course of business, to assist in the implementation and consummation of the Plan, as well as professionals retained by the Creditors' Committee and Fee Committee; provided, however, that it is not expected that the Creditors' Committee and the Fee Committee will remain in existence until the Chapter 11 Cases are closed. Refer to Article XXX of the Plan for more information related to the respective committees. These expenses are yet to be finalized but are expected to be material in comparison to the operating expenses.

VIII. Portland General Electric Company

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Business

1. General

PGE, incorporated in 1930, is a single, integrated electric utility engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. PGE also sells wholesale electric energy to utilities, brokers, and power marketers located throughout the western United States. PGE's service area is located entirely within Oregon and covers 3,150 square miles. It includes 51 incorporated cities, of which Portland and Salem are the largest. PGE estimates that at the end of 2002 its service area population was approximately 1.5 million, comprising about 44% of the state's population. PGE added approximately 7,700 customers during 2002, and at December 31, 2002 served approximately 743,000 retail customers.

PGE has approximately 26,085 miles of electric transmission and distribution lines and owns 1,945 MW of generating capacity. PGE also has long-term power purchase contracts for 652 MW from four hydro-electric projects on the mid-Columbia River and power purchase contracts of one to twenty-six years for another 828 MW from BPA, other Pacific Northwest utilities, and the Tribes. At December 31, 2002, PGE's total firm resource capacity, including short-term purchase agreements, was approximately 4,434 MW (net of short-term sales agreements of 3,927 MW). The average annual demand is approximately 2,350 MW with peak demand of approximately 3,800 MW. On July 2, 1997, Portland General Corporation, the former parent of PGE, merged with ENE, with ENE continuing in existence as the surviving corporation, and PGE operating as a wholly owned subsidiary of ENE. PGE is not a Debtor in the Chapter 11 Cases.

As of December 31, 2002, PGE had 2,757 employees. This compares to 2,790 and 2,781 employees at December 31, 2001 and 2000, respectively. A total of 902 employees are covered under agreements with Local Union No. 125 of the International Brotherhood of Electrical Workers. Such agreements cover 885 employees for a two-year period effective from March 1, 2002 through February 29, 2004; negotiations of a new agreement are expected to begin in late 2003. In addition, 17 employees at Coyote Springs are covered under an agreement effective from September 1, 2001 through August 1, 2006.

PGE is a reporting company under the Exchange Act and files annual, quarterly and periodic reports with the SEC. Refer to Section VIII.A.9., "Additional Information Filed with the SEC" for further information.

2. Operating Revenues

a. Retail. PGE's diverse retail customer base has helped mitigate the effects of a significant downturn in Oregon's economy. Residential, the largest customer class, comprises about 88% of PGE's total number of customers, and in 2002 provided 38% of total retail MWh energy sales and 41% of retail tariff revenues. Residential demand is sensitive to the effects of weather, with revenues highest during the winter heating season. Commercial and industrial customers provided about 40% and 19%, respectively, of retail tariff revenues in 2002. While total retail MWh energy sales decreased somewhat from 2001, reflecting the continuing effect of Oregon's slow economy and conservation efforts, revenues increased approximately 35%, reflecting a general rate increase that became effective October 1, 2001.

Commercial and industrial customer classes are not dominated by any single industry. While the 20 largest customers constitute about 21% of retail demand, they represent 9 different commercial and industrial groups, including paper manufacturing, high technology, metal fabrication, food merchandising, and health services. No single customer represents more than 3.4% of PGE's total retail load.

b. Wholesale Non-Trading. Non-trading wholesale electricity sales related to activities to serve retail load requirements comprised about 21% of total operating revenues in 2002, down from about 54% in 2001. The decrease was due to significantly lower wholesale market prices. Most of PGE's non-trading wholesale sales have been to utilities and power marketers and have been predominantly short-term. PGE participates in the wholesale marketplace in order to balance its supply of power to meet the needs of its retail customers, manage risk, and administer its current long-term wholesale contracts. Such participation includes power purchases and sales resulting from daily economic dispatch decisions for its own generation, which allows PGE to secure power for its customers at the lowest cost available.

c. Other Operating Revenues. Other operating revenues include net gains and losses from PGE's energy trading activities, which seek to take advantage of price movements in electricity, natural gas, and crude oil. Such activities are not reflected in PGE's retail rates. Also included are sales of natural gas in excess of generating plant requirements, and revenues from transmission services, pole contact rentals, and certain other electric services to customers.

d. **Table**. The following table summarizes total operating revenues and energy sales for the year ended December 31:

	2002	2001	2000
Operating Revenues (Millions)			
Residential	$567	$475	$448
Commercial(*)	550	424	388
Industrial	269	222	208
Tariff Revenues	1,386	1,121	1,044
Accrued (Collected) Revenues	82	(31)	14
Retail	1,468	1,090	1,058
Wholesale (Non-Trading)	391	1,313	774
Other Operating Revenues:			
Trading Activities-net	(1)	(11)	30
Other	(3)	28	25
Total Operating Revenues	$1,855	$2,420	$1,887
Megawatt-Hours Sold (Thousands)			
Residential	7,058	7,080	7,433
Commercial(*)	7,101	7,285	7,527
Industrial	4,612	4,675	4,912
Retail	18,771	19,040	19,872
Wholesale (Non-Trading)	12,645	9,764	12,858
Trading Activities-net	-	15	(55)
Total MWh Sold	31,416	28,819	32,675

(*) Includes public street lighting

3. Regulatory Matters

a. **OPUC**. PGE is subject to the jurisdiction of the OPUC, comprised of three members appointed by Oregon's governor to serve non-concurrent four-year terms. The OPUC approves PGE's retail rates and establishes conditions of utility service. The OPUC further ensures that prices are fair, equitable, and provides PGE an opportunity to earn a fair return on its investment. In addition, the OPUC regulates the issuance of stock and long-term debt, prescribes the system of accounts to be kept by Oregon utilities, and reviews applications to sell utility assets and engage in transactions with affiliated companies.

b. **EFSC**. Construction of new thermal generating facilities requires a permit from the EFSC.

c. **FERC**. PGE is also subject to the jurisdiction of FERC with regard to the transmission and sale of wholesale electric energy, licensing of hydroelectric projects, and certain other matters. PGE is a "licensee" and a "public utility" as those terms are used in the FPA and is, therefore, also subject to regulation by FERC as to accounting policies and practices, transmission and wholesale electric prices, issuance of short-term debt, and other matters.

In 1999, FERC issued Order No. 2000 requiring all owners of electricity transmission facilities to file a proposal to join a RTO or, alternatively, to file an explanation of reasons preventing them from making such filing. In response to this order, BPA and nine western utilities, including PGE, filed an initial proposal with FERC to form RTO West, a regional non-profit transmission organization that would operate the transmission system and manage pricing in the Pacific Northwest, Nevada, and small portions of California and Wyoming. In September 2002, the formation plan of RTO West received preliminary FERC approval.

Also in September 2002, FERC granted preliminary approval of a proposed rate structure for TransConnect, a new company proposed by PGE and two other regional utilities. As proposed, TransConnect would be an independent, jointly owned, for-profit transmission company that will participate in RTO West and that could own or lease the high-voltage transmission facilities currently held by PGE and its other participants.

In July 2002, FERC issued a NOPR on Standard Market Design to standardize the structure and operation of competitive wholesale markets. In April of 2003, FERC issued a White Paper setting forth its assessment of how best to move forward in the electric industry for the long-term benefit of electricity customers, and how it intends to change its proposed rule to meet concerns that have been raised. If the NOPR is implemented as proposed, it will significantly change how wholesale energy and transmission markets operate. Wholesale companies and retail load serving companies would be on a single network transmission tariff, and operational control of the transmission network would be administered by an RTO or ISO.

Decisions to move forward with the formation of RTO West and TransConnect will ultimately depend on the conditions imposed during the regulatory approval process, as well as economic considerations. Such decisions will be subject to approvals by state and federal agencies and individual company boards of directors.

d. **NRC**. The NRC regulates the licensing and decommissioning of nuclear power plants. In 1993, the NRC issued a possession-only license amendment to PGE's Trojan operating license and in early 1996 approved the Trojan Decommissioning Plan. Approval of the Trojan Decommissioning Plan by the NRC and EFSC has allowed PGE to begin decommissioning activities. In 2001, the NRC approved the LTP. The LTP outlines the process by which PGE will complete the decommissioning of the Trojan site and meet regulatory requirements for decommissioned nuclear facilities. In October 2002, the NRC approved the transfer of spent nuclear fuel from the Trojan spent fuel pool to the ISFSI, using a separately licensed dry cask storage system. Trojan is subject to NRC regulation until it is fully decommissioned, all nuclear fuel is removed from the site, decontamination is completed, and NRC licenses are terminated.

e. **PUHCA**. PGE is a subsidiary of a holding company (ENE) exempt under PUHCA, except for Section 9(a)(2) with respect to the acquisition of the securities of other public utilities. In February 2002, ENE applied to the SEC to continue its exemption, which requires that PGE's utility activities be predominantly intrastate in nature. In February 2003, the SEC Chief Administrative Law Judge issued an initial decision that denied ENE's application for exemption, holding that PGE does not meet the criteria to be predominantly intrastate in character. On February 27, 2003, ENE filed a petition for review with the SEC requesting that the SEC review the Administrative Law Judge's initial decision, reverse such initial decision, and find that ENE is entitled to exemption from PUHCA. On June 11, 2003, the SEC granted the petition, setting down a briefing schedule, which was completed on September 3, 2003. The effect of the Administrative Law Judge's initial decision denying the exemption is stayed pending the resolution of the SEC's further review. In the event that the SEC denies ENE's application for exemption, ENE would be required to register as a holding company under PUHCA, and PGE would become a subsidiary of a registered holding company. As such, PGE would become subject to additional regulation by the SEC with respect to certain matters, including transactions with ENE and its subsidiaries. Refer to Section XIV.E.2., "PUHCA" for further information.

f. **Other**. The Oregon Department of Energy also monitors Trojan.

4. Competition

a. **General**. Restructuring of the electric industry has slowed both at the national level and in the Pacific Northwest. PGE continues to maintain its commitment to service excellence while accommodating the formation of a competitive electricity market in Oregon.

b. **Retail**. PGE conducts retail electric operations exclusively in Oregon within a state-approved service area. Competitors within PGE's service territory include the local natural gas company (NW Natural), which competes for the residential and commercial space and water heating market, and fuel oil suppliers that compete primarily for residential space heating customers. In addition, effective March 1, 2002, commercial and industrial customers are allowed direct access to competing electricity service suppliers in accordance with Oregon's electric power restructuring law, related regulations, and PGE's tariff. Although PGE remains obligated to serve all of its customers, under terms of a separate tariff schedule certain non-residential customers may provide PGE notice 12 months prior to the start of a calendar year that they do not want PGE to include their loads in PGE power purchases for the noticed year. Customers providing the notice may either obtain their power supply directly from an electricity service supplier or they may purchase power from PGE at then prevailing market rates (with price terms of one day to one year in length) for delivery in the noticed year. These customers are also required by the tariff to provide a year's advance notice should they choose to return to PGE for cost of service rates for a subsequent calendar year.

c. **Wholesale**. Competition has transformed the electric utility industry at the wholesale level. The Energy Policy Act, passed in 1992, opened wholesale competition to energy brokers, independent power producers, and power marketers, and provided a framework for increased competition in the electric industry. In 1996, FERC issued Order 888 requiring non-discriminatory open access transmission by all public utilities that own interstate transmission and requiring investor-owned utilities to allow others access to their transmission systems for wholesale power sales. This access must be provided at the same price and terms the utilities would apply to their own wholesale customers. It also requires reciprocity from municipals, cooperatives, and federal power marketers receiving service under the tariff and allows public utilities to recover stranded costs in accordance with the terms, conditions, and procedures set forth in the order.

PGE's transmission system connects winter-peaking utilities in the Northwest and Canada, which have access to lower variable cost hydroelectric generation, with summer-peaking wholesale customers in California and the Southwest, which have higher variable cost fossil fuel generation. PGE uses portions of this system to purchase and sell in both markets depending upon the relative price and availability of power, water conditions, and seasonal demand from each market.

The amount of surplus electric generating capability in the western United States, the amount of annual snow pack and its impact on hydro generation, the number and credit quality of wholesale marketers and brokers participating in the energy trading markets, the availability and price of natural gas as well as other fuels, and the availability and pricing of electric and gas transmission all contributed to and have an impact on the wholesale price and availability of electricity. PGE will continue its participation in the wholesale energy marketplace in order to manage its power supply risks and acquire the necessary electricity and fuel to meet the needs of its retail customers and administer its current long-term wholesale contracts. In addition, PGE will continue its trading activities to take advantage of price movements in electricity, natural gas, and crude oil.

d. Public Ownership Initiatives. There is the potential for the loss of service territory and assets from the creation of PUDs or municipal utilities in PGE's service territory. Initiative petitions circulated in Multnomah County obtained sufficient signatures to place a measure on an election ballot that, if passed, could result in the formation of a PUD in Multnomah County. In June 2003, the Multnomah County Board of Commissioners determined the boundaries of a proposed PUD and set a PUD formation initiative on the November 4, 2003 ballot to be voted on by the county voters. In August 2003, initiative petitions circulated in Yamhill County also obtained sufficient signatures to place a measure on an election ballot. After a hearing, the Yamhill County Commissioners are required to determine the boundaries of the proposed PUD and set a date for voting on the formation initiative. The expressed intent of the PUD supporters is to have additional elections to expand the PUD boundaries to include all of PGE's service territory. If a PUD were formed, it would have the authority to condemn PGE's distribution assets within the boundaries of the district provided that it paid fair value for such assets. Oregon law prohibits a PUD from condemning thermal generation plants. It is uncertain under Oregon law whether a PUD would be able to condemn PGE's hydro generation plants. Refer to Section XIV.G.1.b., "Condemnation" for further information.

5. Power Supply

a. General. To meet its customers' energy needs, PGE relies upon its existing base of generating resources, long-term power contracts, and short-term purchases that together provide flexibility to respond to consumption changes and Oregon's electric power restructuring law. Short-term purchases include both spot and firm purchases for periods of less than one year in duration.

PGE has filed with the OPUC a new Integrated Resource Plan describing its strategy to meet the electric energy needs of its customers. The Integrated Resource Plan, which considers resource actions over the next two to three years, includes reduced reliance on short-term wholesale power contracts and increased emphasis on longer-term supplies. It also considers future investment in existing and new generating resources, an increase in renewable resources, long-term power purchases, and meeting seasonal peaking requirements through seasonal exchanges, demand-side management, capacity tolling contracts, and combustion turbine development. PGE has issued a RFP to acquire energy and capacity resources. PGE has received responses from more than 40 entities with more than 90 proposals involving energy solutions ranging from wind and geothermal resources to coal and natural gas resources. PGE intends to identify specific parties and initiate negotiations and, based upon the results, update its resource action plan with specific recommendations. PGE has also issued a request for qualifications to approximately 150 of its largest business customers, seeking interest in voluntary demand management programs. Such programs generally consist of an agreement between PGE and the customer to either reduce or adjust the timing of electricity consumption during periods of peak usage or critical power shortage in order to encourage efficient use of resources, thereby enabling PGE to minimize resource costs. PGE intends to identify qualifying proposals and include them in PGE's resource action plan. Based upon results of the RFP, PGE will update its action plan with specific resource recommendations and request acknowledgement that PGE's final action plan is consistent with least cost planning principles established by the OPUC. There can be no assurances, however, that PGE will receive the OPUC acknowledgement.

b. Hydro Conditions. Northwest hydro conditions have a significant impact on the region's power supply, with water conditions significantly impacting PGE's cost of power and its ability to economically displace more expensive thermal generation and spot market power purchases. In the last half of 2000 and first half of 2001, both the cost and availability of power were adversely affected by a reduction in the availability of surplus generation and weather conditions in California and the Southwest that resulted in high demand. In addition, higher natural gas prices and very poor Northwest hydro conditions (accentuated by fish protection spill requirements) further resulted in increased costs and reduced supply. From mid-2001 through the first quarter of 2003, however, additional generation from both new plants and from those returning to service, moderating weather conditions, additional natural gas supplies, federal price mitigation, and a reduction in demand from both a significant downturn in Oregon's economy and conservation efforts have resulted in significantly lower market prices for electricity. These events have affected the balance of market supply and demand, and several independent power producers have delayed or cancelled plans for new generating plants.

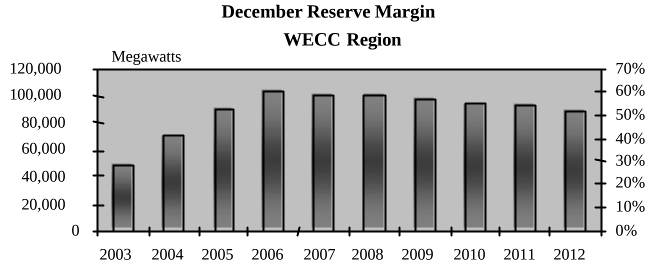
c. Generating Capability. PGE's existing hydroelectric, coal-fired, and gas-fired plants are important resources for PGE, providing 1,945 MW of generating capability. PGE's lowest-cost producers are its five FERC-licensed hydroelectric projects incorporating eight powerhouses on the Clackamas, Sandy, Deschutes, and Willamette rivers in Oregon. These facilities operate under federal licenses, which will be up for renewal through 2006. Based on a comparison of projected future operating costs to the projected future value of its energy output, PGE has decided not to relicense its Bull Run hydroelectric project.

In early 2001, PGE filed a "Notice of Intent" with Oregon's EFSC to build the Port Westward Generating Project, a new 650-MW gas turbine plant adjacent to the Beaver plant site. An air contamination discharge permit application has been approved, with a site certificate issued on November 8, 2002. All other required permits have either been obtained or are anticipated before year end 2003. PGE has not made a decision whether to develop this project at this time. Further decisions regarding the Port Westward project are subject to OPUC acknowledgement of PGE's Integrated Resource Plan and the results of the RFP process.

d. Purchased Power. PGE supplements its own generation with long-term and short-term contracts as needed to meet its retail load requirements.

(i) Long-Term. PGE has long-term power contracts with four hydroelectric projects on the mid-Columbia River, which provide approximately 652 MW of firm capacity. PGE also has firm contracts, ranging from one to twenty-six years, to purchase 828 MW of power from BPA, other Pacific Northwest utilities, and the Tribes. In addition, PGE has an exchange contract with a summer-peaking Southwest utility to help meet PGE's winter-peaking requirements, and an exchange contract with a Northwest utility to help meet PGE's summer-peaking requirements. These resources, along with short-term contracts, provide PGE with sufficient firm capacity to serve its peak loads.

(ii) Short-Term. PGE relies on wholesale market purchases within the WECC in conjunction with its base of generating resources to supply its resource needs, including short-term purchases, and maintain system reliability. The WECC is the largest and most diverse of the 10 regional electric reliability councils. It provides coordination for operating and planning a reliable and adequate electric power system for the western continental United States, Canada, and Mexico. It further supports competitive power markets, helps assure open and non-discriminatory transmission access among members, provides a forum for resolving transmission access disputes, and provides an environment for coordinating the operating and planning activities of its 145 members. The WECC area, which extends from Canada to Mexico and includes 14 western states, has great diversity in climate and peak loads that occur at different times of the year. Energy loads in the Southwest peak in the summer due to air conditioning use, while northern loads peak during winter heating months. According to WECC forecasts, its members, which serve about 71 million people, will have sufficient capacity margin to meet forecast demand and energy requirements through the year 2012, assuming the timely completion of planned new generation.



PGE's peak load in 2002 was 3,408 MW. Approximately 43% of PGE's 2002 peak load was met with short-term purchases. At December 31, 2002, PGE's total firm resource capacity, including short-term purchase agreements, was approximately 4,434 MW (net of short-term sales agreements of 3,927 MW).

6. Fuel Supply

Fuel supply contracts are negotiated to support annual planned plant operations. Flexibility in contract terms allows for the most economic dispatch of PGE's thermal resources in conjunction with the current market price of wholesale power.

a. Coal

(i) Boardman. PGE negotiates agreements each year to purchase coal for Boardman in the following calendar year, and currently has agreements that cover the plant's requirements through 2003. Available coal supplies are sufficient to meet future requirements of the plant. The coal, obtained from surface mining operations in Wyoming and Montana and subject to federal, state, and local regulations, is delivered by rail under contracts with the Burlington Northern Santa Fe and Union Pacific Railroads. Coal purchases in 2002, totaling about 2.1 million tons, contained approximately 0.4% of sulfur by weight. Utilizing electrostatic precipitators, the plant emitted less than the EPA-allowed limit of 1.2 pounds of sulfur dioxide per MMBtu.

(ii) Colstrip. Coal for Colstrip Units 3 and 4, located in southeastern Montana, is provided under contract with Western Energy Company, a wholly owned subsidiary of Westmoreland Mining LLC. The contract provides for delivered coal to not exceed a maximum sulfur content of 1.5% by weight. Utilizing wet scrubbers to minimize sulfur dioxide emissions, the plant operated in compliance with EPA's source-performance standards.

b. Natural Gas. PGE utilizes long-term, short-term, and spot market purchases to secure transportation capacity and gas supplies sufficient to fuel plant operations. PGE re-markets natural gas and transportation capacity in excess of its needs.

(i) Beaver. PGE owns 79% of the Kelso-Beaver Pipeline, which directly connects its Beaver generating station to Northwest Pipeline, an interstate gas pipeline operating between New Mexico and British Columbia, Canada. Firm gas supplies for Beaver, based on anticipated operation of the plant, are purchased at fixed prices for up to 24 months in advance. PGE has access to 76,000 Dth/day of firm transportation capacity, sufficient to operate Beaver at a 70% load factor. In addition, PGE has contractual access, through October 2004, to natural gas storage in Mist, Oregon, from which it can draw natural gas in the event the plant's supply is interrupted or if economic factors indicate its use. PGE believes that sufficient market supplies of gas are available to fully meet requirements of the plant in 2003 and beyond.

(ii) Coyote Springs. Coyote Springs utilizes 41,000 Dth/day of firm transportation capacity on three interconnecting pipeline systems accessing gas fields in Alberta, Canada. Firm gas supplies for Coyote Springs, based on anticipated operation of the plant, are purchased at fixed prices for up to 24 months in advance. PGE believes that sufficient market supplies of gas are available to fully meet requirements of the plant in 2003 and beyond.

c. Oil

(i) Beaver. Beaver has the capability to operate at full capacity on No. 2 diesel fuel oil when it is economical to do so or if the plant's natural gas supply is interrupted. To ensure the plant's continued operability under such circumstances, PGE had an approximate 19-day supply of oil at the plant site at December 31, 2002.

(ii) Coyote Springs. Coyote Springs has the capability to operate on oil if needed, with sufficient fuel maintained on-site to run the plant for 40-50 hours.

7. Environmental Matters

PGE operates in a state recognized for environmental leadership. PGE's policy of environmental stewardship emphasizes minimizing both waste and environmental risk in its operations, along with promoting the wise use of energy.

a. Regulation. PGE's operations are subject to a wide range of environmental protection laws covering air and water quality, noise, waste disposal, and other environmental issues. The EPA regulates the proper use, transportation, cleanup, and disposal of PCBs. The NRC regulates the storage and disposal of spent nuclear fuel from the Trojan plant. State agencies or departments, which have direct jurisdiction over environmental matters, include the Environmental Quality Commission, the DEQ, the Oregon Office of Energy, and the EFSC. Environmental matters regulated by these agencies include the siting and operation of generating facilities and the accumulation, cleanup, and disposal of toxic and hazardous wastes.

b. Threatened and Endangered Species. Populations of many salmon species in the Pacific Northwest have shown significant decline over the last several decades. The listing of various species of fish, wildlife, and plants as threatened or endangered species has given rise to potentially significant changes to hydroelectric project operations, the impacts of which to date have been minimal. The biggest change has been modifying the timing of releases of water stored behind the dams in the upper part of the Columbia and Snake River basins.

PGE continues to evaluate the impact of current and potential ESA listings on the operation of its hydroelectric projects on the Deschutes, Sandy, Clackamas, and Willamette rivers. PGE's hydroelectric relicensing efforts, in combination with endangered species consultations among FERC, NMFS, and the USFWS, address issues associated with the protection of fish runs on those rivers where PGE operates hydroelectric facilities. The agencies have completed an ESA consultation on the Deschutes River, the location of PGE's Pelton Round Butte Project, that will be in effect until a new license is granted by FERC; no significant operational changes to the project have been indicated. PGE awaits conclusion by the federal agencies of consultation with respect to its hydroelectric project on the Sandy River. PGE currently is supporting the federal agencies' ESA consultation activities regarding PGE's projects on the Clackamas and Willamette rivers, with minor operational changes implemented in February 2003 on the Clackamas and planned for 2004 on the Willamette.

c. Air Quality. PGE's operations, principally its fossil-fuel electric generation plants, are subject to the federal CAA and other federal regulatory requirements. State governments are also charged with monitoring and administering certain portions of the

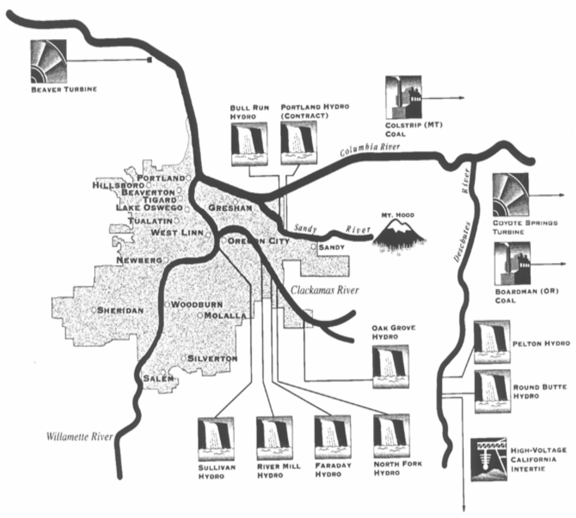
Act and are required to set guidelines that are at least equal to federal standards; Oregon's air quality standards exceed federal standards. Primary pollutants addressed by the CAA that affect PGE are SO2, NOx, CO, and particulate matter. PGE manages its emissions by the use of low sulfur fuel, emission controls, emission monitoring, and combustion controls.

The SO2 emission allowances awarded under the CAA, along with expected future annual allowances, are sufficient to operate Boardman at a 60% to 67% capacity without emissions reductions. In addition, current emission allowances are sufficient to operate Colstrip, which utilizes wet scrubbers. If necessary, PGE intends to acquire sufficient additional allowances in order to meet excess capacity needs. It is not yet known what impacts federal regulations on mercury transport, regional haze, or particulate matter standards may have on future plant operations, operating costs, or generating capacity.

Federal operating air permits, issued by DEQ, have been obtained for all of PGE's thermal generating facilities.

d. Superfund. A 1997 investigation of a portion of the Willamette River known as the Portland Harbor, conducted by the EPA, revealed significant contamination of sediments within the harbor. Subsequently, the EPA has included Portland Harbor on the federal National Priority list pursuant to CERCLA. In December 2000, PGE, along with 68 other companies on the Portland Harbor Initial General Notice List, received a "Notice of Potential Liability" with respect to the Portland Harbor superfund site. Available information is currently not sufficient to determine either the total cost of investigation and remediation of the Portland Harbor or the potential liability of responsible companies, including PGE. It is believed that PGE's contribution to the sediment contamination, if any, would qualify it as a de minimis potentially responsible party under CERCLA. Refer to Section XIV.G.3.a., "Portland Harbor" for further information about the risks associated with the Portland Harbor superfund site.

8. Properties



Beaver Turbine
Bull Run Hydro
Portland Hydro (Contract)
Colstrip (MT) Coal
Columbia River
Portland
Hillsboro
Beaverton
Tigard
Lake Oswego
Gresham
Tualatin
West Linn
Sandy River
Mt. Hood
Sandy
Newberg
Deschutes River
Coyote Springs Turbine
Boardman (OR) Coal
Clackamas River
Sheridan
Woodburn
Molalla
Oak Grove Hydro
Pelton Hydro
Silverton
Round Butte Hydro
Salem
Willamette River
Sullivan Hydro
River Mill Hydro
Faraday Hydro
North Fork Hydro
High-Voltage California Intertie

PGE's principal plants and appurtenant generating facilities and storage reservoirs are situated on land owned by PGE in fee or land under the control of PGE pursuant to existing leases, federal or state licenses, easements, or other agreements. In some cases, meters and transformers are located on customer property. The indenture securing PGE's First Mortgage Bonds constitutes a direct first mortgage lien on substantially all utility property and franchises, other than expressly excepted property. PGE's service territory and generating facilities are indicated on the map above.

The following are generating facilities owned by PGE:

Facility	**Location**	**Fuel**	**Net MW Capability At Dec. 31, 2002(*)**
Wholly Owned:			
Faraday	Clackamas River	Hydro	48
North Fork	Clackamas River	Hydro	58
Oak Grove	Clackamas River	Hydro	44
River Mill	Clackamas River	Hydro	25

Facility	Location	Fuel	Net MW Capability At Dec. 31, 2002(*)	
Bull Run	Sandy River	Hydro	22	
Sullivan	Willamette River	Hydro	16	
Beaver	Clatskanie, OR	Gas/Oil	529	
Coyote Springs	Boardman, OR	Gas/Oil	245	
Jointly Owned:				PGE Interest
Boardman	Boardman, OR	Coal	362	65.00%
Colstrip 3 & 4	Colstrip, MT	Coal	296	20.00%
Pelton	Deschutes River	Hydro	73	66.67%
Round Butte	Deschutes River	Hydro	227	66.67%
Total			1,945	

(*) PGE ownership share.

PGE holds licenses under the FPA for its hydroelectric generating plants, as well as licenses from the State of Oregon for all or portions of five of the plants. Licenses for the Sullivan and Bull Run projects expire in 2004 and licenses for all projects on the Clackamas River expire in 2006. The license for the Pelton Round Butte project expired at the end of 2001. In June 2001, PGE and the Tribes jointly filed a 50-year license application for the Pelton Round Butte project, which is pending with FERC.

FERC requires that a notice of intent to relicense hydroelectric projects be filed approximately five years prior to license expiration. PGE has filed notice to relicense and is actively pursuing renewal of licenses for all of its hydroelectric generating plants except Bull Run, which will not be relicensed. PGE has determined not to relicense Bull Run based upon a comparison of projected future operating costs, including measures to protect endangered salmon, with the future value of its energy output.

On January 1, 2002, PGE sold a 33.33% undivided interest in its Pelton Round Butte hydroelectric project to the Tribes.

The rated generating capability at Beaver increased 5 MW based upon revised measurements of the plant's performance in 2002. The generating capability at Faraday increased 4 MW in 2002 due to turbine replacement and rehabilitation.

PGE owns transmission lines that deliver electricity from its Oregon plants to its distribution system in its service territory and also to the Northwest grid. PGE also has ownership in, and contractual access to, transmission lines that deliver electricity from the Colstrip plant in Montana to PGE. In addition, PGE owns approximately 16% of the Pacific Northwest Intertie, a 4,800-MW transmission facility between John Day, in northern Oregon, and Malin, in southern Oregon near the California border. This line is used primarily for interstate purchases and sales of electricity among utilities, including PGE.

PGE leases its headquarters complex in Portland, Oregon under a 40-year sale-lease back arrangement, ending in September 2018. The lease payments are a fixed amount for the initial term. The lease may be renewed at a predetermined fixed amount for two 10-year and one five-year renewal terms. PGE also leases the coal handling facilities at the Boardman plant under a 27-year leveraged lease financing expiring January 2005. The lease has fixed payments for the initial term and may be renewed for an initial renewal of 5 years at a fixed rent, and thereafter for any length of time at a fair market value, provided the total of all renewal terms may not exceed 20 years.

9. Additional Information Filed with the SEC

The Debtors refer to the following reports filed with the SEC by PGE.

- PGE's Annual Report on Form 10-K for the fiscal year ended December 31, 2002;
- PGE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003; and
- PGE's Current Reports on Form 8-K dated March 25, April 8, April 29, May 21, June 4, June 25, June 27 and August 4, 2003.

These reports contain information about PGE including, without limitation, information related to the following matters:

- Legal Proceedings;
- Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Hedging and Market Risk;
- Directors and Executive Officers;
- Executive Compensation; and
- Certain Relationships and Related Transactions.

The Debtors did not prepare such reports, but they are publicly available as information that may be relevant to the Creditors' decision in voting on the Plan.

10. Other Information Regarding PGE Contained in This Disclosure Statement

Refer to Section XIV.G., "PGE Risks" for further information about certain risks associated with PGE. Refer to Section IV.C., "Litigation and Government Investigations" for further information about certain legal proceedings involving PGE.

11. Separation of PGE From ENE

The Existing PGE Common Stock held by ENE will be cancelled and the PGE Common Stock will be issued and distributed to the creditors of the Debtors, or to an Operating Trust, in accordance with the terms of the Plan. Upon such issuance, the preferred stock of PGE described in Section VIII.D., "Capital Stock" will remain outstanding. In connection with the consummation of the Plan, PGE and ENE expect to agree to certain separation agreements that would govern the relationship between ENE and PGE on a transitional basis, including the provision of various corporate and administrative services. The existing relationship between ENE and PGE is governed by the PGE MSA and a tax allocation agreement. Refer to Sections VII.B.1.a(ii), "Auxiliary Agreements" and VII.B.1.a(iii), "Tax Allocation Agreement" for further information about these agreements.

12. Potential Sale of PGE

Notwithstanding the foregoing, ENE is continuing its previously announced sales process with respect to its interest in PGE and reserves the right, at any time prior to the satisfaction of the conditions for a distribution of the PGE Common Stock to the Creditors under the Plan, as described in Section I., "Overview of Chapter 11 Plan" to enter into an agreement to sell such interest. If PGE is sold, ENE's proceeds of such sale (rather than the capital stock of PGE held by ENE) will be distributed to the creditors of the Debtors in accordance with the terms of the Plan. The Plan provides for PGE Common Stock to be distributed to Creditors in accordance with the Plan or the sale of PGE as a going concern. A break-up of PGE is not an option under the Plan.

B. Historical Financials, Projections and Valuation.

1. Historical Financials

The following selected unaudited consolidated financial information for each of the three years in the period ended December 31, 2002 has been derived from the audited consolidated financial statements of PGE for the respective periods. The Unaudited Selected Financial Information should be read in conjunction with the PGE Annual Report on Form 10-K for the year ended December 31, 2002.

	FOR THE YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	(In Millions, except ratios)		
Operating Revenues [a]	$1,855	$2,420	$1,887
Net Operating Income	135	134	206
Net Income	66	34	141
Total Assets	3,250	3,474	3,452
Long Term Obligations [b]	1,046	972	880
Other Financial Data:			
Ratio of earnings to fixed charges	2.40x	1.41x	3.63x

(a) Amounts for 2000 and 2001 have been reclassified from those previously reported, in accordance with requirements of EITF 02-3, Accounting for Contracts Involved in Energy Trading and Risk Management Activities. For further information, refer to Note 1, Summary of Significant Accounting Policies, in the Notes to the Company's financial statements in the Form 10-K.

(b) Includes long-term debt and preferred stock subject to mandatory redemption requirements

2. Projections

In conjunction with formulating the Plan, as set forth on Appendix H: "PGE Financial Projections – 2003-2006", financial projections have been prepared for PGE for the four years ending December 31, 2006. The projections for the fiscal year ended December 31, 2003, include actual results through June 30, 2003. The projections are based on a number of assumptions made with respect to the future operations and performance of PGE and should be reviewed in conjunction with a review of the principal assumptions set forth on Appendix H: "PGE Financial Projections – 2003-2006". While the projections were prepared in good faith and the Debtors believe the assumptions, when considered on an overall basis, to be reasonable in light of the current circumstances, it is important to note that the Debtors can provide no assurance that such assumptions will be realized and Creditors must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect PGE's financial results.

3. Valuation

Also in conjunction with formulating the Plan, the Debtors determined that it was necessary to estimate the post-confirmation going concern enterprise value and equity value of PGE. Accordingly, Blackstone and the Debtors formulated such a valuation, which is utilized in the Blackstone Model. Such valuation is based, in part, on the financial projections prepared by PGE management and included in Appendix H: "PGE Financial Projections – 2003-2006". The valuation analysis was used, in part, for the purpose of determining the value of PGE to be distributed to Creditors pursuant to the Plan and to analyze the relative recoveries to Creditors under the Plan.

a. Estimated Value. Based upon the methodology described below, the Blackstone Model utilizes an estimated equity value of $1.278 billion for PGE at June 30, 2003. Therefore, assuming 62.5 million shares of new PGE Common Stock will be issued and distributed to or on behalf of Creditors pursuant to the Plan, the value of such stock is estimated to be $20.45 per share. The estimated value is based upon a variety of assumptions, as referenced below under "Variances and Risks," deemed appropriate under the circumstances. The estimated value per share of the new PGE Common Stock may not be indicative of the price at which the new PGE Common Stock will trade when and if a market for the new PGE Common Stock develops, which price could be lower or higher than the estimated value of the new PGE Common Stock. Accordingly, there can be no assurance that the new PGE Common Stock will subsequently be purchased or sold at prices comparable to the estimated values set forth above. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect PGE's financial results.

b. Methodology. Three methodologies were used to derive the value of PGE based on the financial projections attached as Appendix H: "PGE Financial Projections – 2003-2006": (i) a comparison of PGE and its projected performance to the comparable companies and how the market values them (ii) a comparison of PGE and its projected performance to comparable companies in precedent transactions, and (iii) a calculation of the present value of the free cash flows under the PGE projections, including an assumption for the value of PGE at the end of the projected period.

The market-based approach involves identifying (i) a group of publicly traded companies whose business as a whole, or significant portions thereof, are comparable to those of PGE, and (ii) comparable precedent transactions involving the acquisition of comparable companies, and then calculating ratios of various financial results or statistics to the public market values of these companies, or the net proceeds of these transactions. The ranges of ratios derived are applied to PGE's historical results and projected performance, and adjusted for net debt to arrive at a range of implied values. The discounted cash flow approach involves deriving the unlevered free cash flows that PGE would generate assuming the PGE projections were realized. These cash flows, and an estimated value of PGE at the end of the projected period, are discounted to the present at PGE's estimated weighted average cost of capital to determine PGE's enterprise value. Net debt is then deducted to determine the equity value.

4. Variances and Risks. Refer to Section XIV.C., "Variance from Valuations, Estimates and Projections" for a discussion regarding the potential for variance from the projections and valuation described above and Section XIV., "Risk Factors and Other Factors to be Considered" in general for a discussion of risks associated with PGE.

ESTIMATES OF VALUE DO NOT PURPORT TO BE APPRAISALS NOR DO THEY NECESSARILY REFLECT THE VALUES WHICH MAY BE REALIZED IF ASSETS ARE SOLD. THE ESTIMATES OF VALUE REPRESENT HYPOTHETICAL EQUITY VALUES ASSUMING THE IMPLEMENTATION OF PGE'S BUSINESS PLAN AS WELL AS OTHER SIGNIFICANT ASSUMPTIONS. SUCH ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF FORMULATING AND NEGOTIATING A CHAPTER 11 PLAN FOR THE DEBTORS AND ANALYZING THE PROJECTED RECOVERIES THEREUNDER. THE ESTIMATED EQUITY VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS SET FORTH IN THE PROJECTIONS AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS WHICH ARE NOT GUARANTEED.

THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE MARKET VALUE OF PGE STOCK DISTRIBUTED PURSUANT TO A CHAPTER 11 PLAN. SUCH TRADING VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE EQUITY VALUE ASSOCIATED WITH THE VALUATION ANALYSIS.

PGE OPERATES IN A HEAVILY GOVERNMENT REGULATED INDUSTRY. CHANGES TO THE CURRENT REGULATORY ENVIRONMENT MAY HAVE A MATERIAL ADVERSE IMPACT ON PGE'S ACTUAL RESULTS. REFER TO THE ENTIRETY OF SECTION VIII., "PORTLAND GENERAL ELECTRIC COMPANY" AND SECTION XIV., "RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED" FOR FURTHER DISCUSSION ON THESE AND OTHER RISKS ATTENDANT WITH PGE AND THE ELECTRIC UTILITY INDUSTRY.

C. Legal Proceedings.

Certain of PGE and its subsidiaries are currently involved either as plaintiffs or defendants in pending arbitrations or civil litigation. Those matters that may be material to PGE's business are identified below. In addition, certain of PGE and its subsidiaries are involved in regulatory or administrative proceedings. Refer to Section IV.C, "Litigation and Government Investigations" for further information.

1. Utility Reform Project, Colleen O'Neil and Lloyd K. Marbet v. Oregon Public Utilities Commission and Portland General Electric Company. (No. SC S45653, Supreme Court, State of Oregon; No. 94C-10417, Marion County Circuit Court No. 94C-10417; OPUC UM989). The OPUC approved recovery of $250 million of PGE's investment in Trojan and a return on the investment. Recovery was occurring by amortization through 2011 plus a return on the unamortized balance through that date. Numerous challenges, appeals and requested reviews were filed in Marion County, Oregon Circuit Court, the Oregon Court of Appeals, and the Oregon Supreme Court on the issue of the OPUC's authority under Oregon law to grant recovery of and a return on the Trojan investment. The primary plaintiffs in the litigation were the CUB and the URP. In June 1998, the Oregon Court of Appeals ruled that the OPUC properly granted PGE recovery of its investment in Trojan, but not a return on the investment during the amortization period and remanded the case to the OPUC. PGE's petition for review to the Oregon Supreme Court was granted in April 1999 as was the URP petition for review. While the petitions for review of the 1998 Oregon Court of Appeals decision were pending at the Oregon Supreme Court, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation. The URP challenged the settlement at the OPUC. The settlement agreement was finally approved by the OPUC in March 2002. The URP has appealed the OPUC decision on the settlement to the Marion County, Oregon Circuit Court. On November 19, 2002 the Oregon Supreme Court dismissed the petitions for review filed by PGE and the URP. As a result, the 1998 Oregon Court of Appeals opinion stands and the matter was remanded to the OPUC.

2. Portland General Electric v. International Brotherhood of Electrical Workers, Local No. 125. (No. 0205-05132, Circuit Court, Multnomah County, Oregon). PGE filed declaratory relief against the International Brotherhood of Electrical Workers Local 125 seeking a declaratory ruling that the four grievances filed by the union seeking recovery of 401(k) plan losses under the collective bargaining agreement are not subject to arbitration. On August 14, 2003, the judge granted PGE's motion for summary judgment finding those grievances are not subject to arbitration.

3. Portland General Electric, et al. v. The United States of America, et al. (No. C.A. 1:00-1425, Southern District of New York, C.A. No. 1:98-2552, District of Columbia, "*Case No. 1425*"). This is an action by PGE and other Trojan owners to recover approximately $16 million from the USDOE for assessments not authorized by fixed price contracts for enrichment of nuclear fuel. A companion case filed in the U.S. Court of Claims has been dismissed.

4. Department of Water Resources v. ACN Energy, et al., including PGE, Enron Power Corp., PG&E Energy Services nka Enron Energy Marketing Corp. and Enron North America, Inc. (No. 01 AS05497, Superior Court, Sacramento County, California). The State of California is seeking declaratory relief to resolve all claims related to the governor's seizure of the block forward contracts for energy delivery in January and February 2001. PGE filed a claim in May 2001 with the California Victims Compensation Board to preserve its right to collect approximately $70 million for energy sales to California. The State refused to toll the statute of limitations on PGE's right to appeal the denial of its claim by the Victims Compensation Board; therefore PGE filed a new lawsuit against the State restating its claim. This suit has been consolidated with the prior suit. A status conference is to be held by the court on October 2, 2003.

5. Dreyer, Gearhart and Kafoury Bros., LLC v. Portland General Electric Company (No. 03C 10639, Circuit Court, Marion County, Oregon) and Morgan v. Portland General Electric Company (No. 03C 10639, Circuit Court, Marion County, Oregon (Identical cases have also been filed in the Circuit Court of Multnomah County Oregon). On January 17, 2003, two class actions suits were filed against PGE on behalf of two classes of electric service customers. The *Dreyer* case seeks to represent current PGE customers that were customers during the period from April 1, 1995 to October 1, 2001, and the *Morgan* case seeks to represent PGE customers that were customers during the period from April 1, 1995 to October 1, 2001, but who are no longer customers. The suits seek damages of $190 million for the *Dreyer* Class and $70 million for the *Morgan* Class, from the inclusion of a return on investment of Trojan in the rates PGE charges its customers. PGE has filed motions to dismiss both suits in both Circuit Courts.

6. Gordon v. Reliant Energy, Inc., Duke Energy Trading & Marketing, et al. v. Arizona Public Service Company, et al. (In re: Wholesale Electricity Antitrust Cases I & II) (No. 02—990,1000, 1001, United States District Court, Southern District of California; No. 02-57200, United States Court of Appeals, Ninth Circuit). In late 2001, numerous individuals, businesses, California cities, counties and other governmental agencies filed class action lawsuits in California state court against various individuals, utilities, generators, traders, and other entities alleging that activities related to the purchase and sale of electricity in

California in 2000-2001 violated California anti-trust and unfair competition law. The complaint seeks restitution of all funds acquired by means that violate the law, payment of treble damages and interest and penalties. In late April 2002, the defendant parties filed a cross-complaint against PGE and other utilities, generators, traders, and other entities not named in the cases, alleging that they participated in the purchase and sale of electricity in California during 2000-2001 and seeking a complete indemnification and/or partial equitable indemnity on a comparative fault basis for any liability that the court may impose on the defendant parties. No specific dollar amount is claimed. The cases were removed to federal court on December 13, 2002. The federal court granted the plaintiffs' motions to remand to state court and to strike and/or sever cross-complaints. The defendant parties appealed the remand to the Ninth Circuit Court of Appeals. The Court of Appeals issued orders stating it had jurisdiction to hear the appeal of the remand order and staying the remand order pending its decision. The parties have agreed to an open extension of time until 30 days after a ruling on jurisdiction is made.

7. **People of the State of California, ex rel. Bill Lockyer, Attorney General v. Portland General Electric Company (No. C-02-3318, United States District Court, Northern District of California)**. The Attorney General of California filed a complaint alleging that PGE failed to comply with FERC's approval requirements for its market-based sales of power in California. The complaint does not specify damages; however it seeks fines and penalties under the California Business and Professions Code for each sale from 1998 through 2001 above a capped price. In July 2002, PGE removed the case to federal district court and filed a motion to dismiss on preemption grounds. The Attorney General filed a motion with the district court to remand the case to state court. The motion was denied and the Attorney General appealed the denial to the Ninth Circuit and filed a motion to stay the district court. The district court found the appeal frivolous and on March 25, 2003 granted the motion to dismiss on preemption grounds. The Attorney General filed an appeal of the dismissal to the Ninth Circuit.

8. **Cyber-Tech, Inc. v. PGE et al. (No. 0305-05257, Circuit Court, Multnomah County, Oregon)**. Cyber-Tech, in the business of designing and supplying industrial control handles and joysticks for commercial and personal use, seeks recovery of approximately $4.3 million for property damage and lost profits resulting from a disruption of power to its facility when PGE's contractor, Henkles & McCoy, allegedly damaged PGE's underground electrical equipment, which in turn caused the disruption of power. Another PGE contractor, Locating Inc., is alleged to have improperly located the underground facilities. Tenders of defense on behalf of PGE have been sent to both Henkles & McCoy and Locating, Inc.

9. **Port of Seattle v. Avista et al., including PGE (No. 03-1170, United States District Court, Western District of Washington, Seattle Division)**. On May 21, 2003, the Port of Seattle, Washington filed a complaint against PGE and sixteen other companies alleging violation of both the Sherman Act and RICO, fraud, and, with respect to Puget Energy, Inc. and Puget Sound Energy, Inc., breach of contract. The complaint alleges that the price of electric energy purchased by the Port between November 1997 and June 2001 under a contract with Puget Sound Energy, Inc. was unlawfully fixed and artificially increased through various actions alleged to have been undertaken in the Pacific Northwest power markets among the defendants and ENE, EES, ENA, EPMI, and others. The complaint alleges actual damages of $30.5 million suffered by the Port and seeks recovery of that amount, plus punitive damages and reasonable attorney fees. PGE, along with other defendants, filed with the Judicial Panel on Multidistrict

Litigation a notice of tag-along action on June 17, 2003. Port of Seattle, Puget Energy, Inc., Pugent Sound Energy, Inc., and PacificCorp are opposed to the notice. PGE joined in a motion to dismiss on federal preemption and filed rate doctrine grounds.

10. Remington et al. v. Northwestern Energy, LLC (No. DV 03-88, 2nd Judicial District, Silver Bow County, Montana). On May 5, 2003, Robert and Julie Remington and forty-eight other individuals, unions, and businesses filed a suit against PGE and the other owners, designers and operators of the Colstrip coal-fired electric generation plants in Montana alleging that holding and settling ponds at the Colstrip Project have leaked and contaminated groundwater. The plaintiffs allege nuisance, trespass, unjust enrichment, fraud, and negligence, and seek a declaratory judgment of nuisance and trespass, an order that the nuisance be abated, and an unspecified amount for damages, disgorgement of profits, and punitive damages.

11. California Electricity Refund Proceeding (FERC Docket # EL00-95). In a June 19, 2001 order adopting a price mitigation program for 11 states within the WSCC area, FERC referred the issue of refunds for spot market sales made from October 2, 2000 through June 20, 2001 to a settlement judge. On July 25, 2001, FERC issued an order establishing the scope of and methodology for calculating refunds related to non-federally mandated transactions in the spot markets operated by the ISO and the PX. PGE's potential refund obligation, using FERC methodology, is estimated to be in the range of \$20 million to \$30 million. On March 26, 2003, FERC issued an order modifying the methodology it had previously ordered for the pricing of natural gas in calculating the amount of potential refunds. Although further proceedings will be necessary to determine exactly how the new methodology will affect the refund liability, PGE now estimates its potential liability to be between \$20 million and \$50 million. PGE joined a group of utilities in filing a request for rehearing of various aspects of the March 26, 2003 order, including the repricing of the gas cost component of the proxy price from which refunds are to be calculated.

12. Pacific Northwest Refund Proceeding (FERC Docket # EL01-10). Refer to Section IV.C.1.e(i)(C)(2), "Puget Sound Energy Inc. v. All Jurisdictional Settlers of Energy et al., including EPMI, as well as PGE. Docket No. EL01-10 et seq., (Pacific Northwest Refund Proceeding)" for further information.

13. Oregon Public Utility Commission Staff Report on Trading Activities. On April 29, 2003, the Staff of the OPUC issued a draft report in which it recommended that the OPUC affirm that it will hold harmless the customers of PGE in the event any penalties are imposed by FERC or any other authority investigating PGE's trading activities and that the OPUC open a formal investigation of PGE's trading activity in 2000-01. On June 12, 2003, the OPUC delayed any decision on commencing an investigation of PGE's trading activities until after FERC has substantially completed its inquiry of PGE trading activities.

14. FERC Investigation of Trading Activities. In early May 2002, ENE provided memos to FERC that contained information indicating that ENE, through its subsidiary EPMI, may have engaged in several types of trading strategies that raised questions regarding potential manipulation of electricity and natural gas prices in California in 2000-2001. In August 2002, FERC initiated investigations into instances of possible misconduct by PGE and certain other companies. In Docket No. EL02-114-000, FERC ordered investigation of PGE and EPMI related to possible violations of their codes of conduct, FERC's standards of conduct, and the companies' market-based rate tariffs. In the order, FERC established October 15, 2002 as the "refund effective date." If PGE were to lose its market-based rate authority, purchasers of electric energy from PGE at market-based rates after the refund effective date could be entitled to a refund of the difference between the market-based rates and cost-based rates deemed just and reasonable by FERC. A hearing has been scheduled for October 21, 2003, with the initial decision scheduled on or before December 19, 2003.

15. Challenge of the California Attorney General to Market-Based Rates. Refer to Section IV.C.1.e(i)(C)(5), "Challenge of the California Attorney General to Market-Based Rates" for further information.

16. Show Cause Order. On June 25, 2003, FERC voted to require over 50 entities, including PGE, that participated in the western U.S. wholesale power market in 2000 and 2001 to show cause why their participation in specific behaviors and activities during that time period did not constitute gaming in violation of tariffs issued by the ISO and the PX. The ISO was ordered to provide data on each entity's behaviors and activities within 21 days from the date of the order. On August 27, 2003, PGE and FERC trial staff filed a settlement with the Administrative Law Judge and requested that the settlement be certified to the FERC. The settlement requires PGE to pay $12,730 as revenue received in one identified behavior. Refer to Section IV.C.1.e(i)(A)(4), "American Electric Power Services Corp., et al., Docket Nos. EL03-137-000, et al." for further information.

17. People of the State of Montana, ex rel. Mike McGrath, Attorney General of the State of Montana, et al. v. Williams Energy Marketing and Trading Company, et al. including EESI, EPMI and PGE, Montana First Judicial District, Lewis and Clark County. On June 30, 2003 the Montana Attorney General filed a complaint in Montana state court against PGE and numerous named and unnamed generators, suppliers, traders, and marketers of electricity and natural gas in Montana. The complaint alleges unfair and deceptive trade practices in violation of the Montana Unfair Trade and Practices and Consumer Protection Act, deception, fraud and intentional infliction of harm arising from various actions alleged to have been undertaken in the western wholesale electricity and natural gas markets during 2000 and 2001. The relief sought includes injunctive relief to prohibit the unlawful practices alleged, treble damages, general damages, interest, and attorney fees. No monetary amount is specified. This case was removed to federal district court and a subsequent filing with the Judicial Panel on Multidistrict Litigation is pending. Montana has filed a motion for remand.

18. ISO and PX Receivable. As of March 31, 2003, PGE was owed approximately $62 million from the ISO and the PX for wholesale electricity sales made from November 2000 through February 2001. PGE estimates that the majority of this amount was for sales by the ISO and PX to Southern California Edison Company and PG&E. On March 9, 2001, PX filed for bankruptcy, and on April 6, 2001, PG&E also filed for bankruptcy relief. PGE is pursuing collection of all past due amounts through the PX and PG&E bankruptcy proceedings, and has filed a proof of claim in each case. PGE is examining its options with regard to collection of any amounts not ultimately received through the bankruptcy process. To the extent that PGE is found liable for refunds in the FERC California Refund proceeding, PGE will be entitled to offset that amount against the $62 million receivable.

19. FERC Bidding Investigation. On June 25, 2003, FERC issued an order initiating an investigation into anomalous bidding in the California markets. PGE submitted responses on July 24, 2003 and August 11, 2003 and is continuing its analysis of bid data relevant to the investigation. Refer to Section IV.C.2.b(iii), "FERC Bidding Investigation" for further information about the investigation.

D. Description of Capital Stock, Board of Directors and Director and Officer Indemnification

The information set forth below is summarized from PGE's Articles of Incorporation, as amended. The statements and description hereinafter contained do not purport to be complete and are qualified in their entirety by references to the Articles of Incorporation.

1. Capital Stock

a. Common Stock. PGE currently has outstanding 42,758,877 shares of common stock, par value of $3.75 per share, all of which are owned by ENE. Upon satisfaction of the conditions for distribution of PGE Common Stock to the Creditors pursuant to the Plan, as described in Section I., "Overview of Chapter 11 Plan", such existing common stock of PGE held by ENE will be cancelled, and the new PGE Common Stock will be issued.

b. Preferred Stock. PGE currently has outstanding 279,727 shares of its 7.75% Series Cumulative Preferred Stock, no par value. The outstanding preferred stock has a voluntary and involuntary liquidation preference of $100.00 per share, and pays a dividend of $7.75 per share quarterly on the 15th of January, April, July and October. It is redeemable only by operation of a sinking fund that requires the annual redemption of 15,000 shares at $100 per share, plus all accrued and unpaid dividends, each year commencing on June 15, 2002 for five years, with all remaining shares to be redeemed on June 15, 2007. At its option, PGE may redeem, through the sinking fund, an additional 15,000 shares each year, but such optional redemption is not cumulative and does not reduce any subsequent mandatory redemption. The sinking fund may be satisfied in whole or in part by crediting shares purchased by PGE in the open market or otherwise. The 7.75% Series Cumulative Preferred Stock generally has no voting rights but may, in certain circumstances, vote to elect a limited number of PGE directors. Such preferred stock will remain outstanding upon the issuance of the PGE Common Stock to the Creditors. PGE also has the right, with the approval of its board of directors, to issue additional series of preferred stock. Such preferred stock will remain outstanding upon the issuance of the PGE Common Stock to the Creditors.

c. Limited Voting Junior Preferred Stock. On September 30, 2002, a single share of a new class of Limited Voting Junior Preferred Stock was issued by PGE to an independent party. The new class of stock, created by an amendment to PGE's Articles of Incorporation, was issued following approval by the Bankruptcy Court on September 12, 2002, the DIP Lenders, the OPUC, and PGE's board of directors.

The Limited Voting Junior Preferred Stock has a par value of $1.00, no dividend, a liquidation preference to PGE's common stock as to par value but junior to existing preferred stock, an optional redemption right, and certain restrictions on transfer. The Limited Voting

Junior Preferred Stock also has voting rights, which limit, subject to certain exceptions, PGE's right to commence any voluntary bankruptcy, liquidation, receivership, or similar proceedings without the consent of the holder of the share of Limited Voting Junior Preferred Stock. The consent of the holder of the share of Limited Voting Junior Preferred Stock will not be required if the reason for the bankruptcy or similar event is to implement a transaction pursuant to which all of PGE's debt will be paid or assumed without impairment. Such preferred stock will remain outstanding upon the issuance of PGE Common Stock to the Creditors.

2. PGE Board of Directors

On the Effective Date, PGE's board of directors will consist of individuals designated by the Debtors (after consultation with the Creditors' Committee), all of which shall be disclosed prior to the Confirmation Hearing. In the event that, during the period from the Confirmation Date up to and including the Effective Date, circumstances require the substitution of one (1) or more persons selected to serve, the Debtors shall file a notice thereof with the Bankruptcy Court and, for purposes of section 1129 of the Bankruptcy Code, any such replacement person, designated after consultation with the Creditors' Committee, shall be deemed to have been selected or disclosed prior to the Confirmation Hearing. Thereafter, the terms and manner of selection of directors of PGE shall be as provided in PGE's certificate of incorporation and bylaws, as the same may be amended.

3. Indemnification

PGE is organized under the laws of the State of Oregon. Under PGE's Articles of Incorporation, PGE will indemnify directors and officers of PGE to the fullest extent permitted by the Oregon law. Expenses incurred by a director or officer in connection with an indemnifiable claim will be addressed by PGE provided that such director or officer will obligate himself/herself to repay such advance to the extent it is ultimately determined that such director or officer was not entitled to indemnification. PGE is authorized to provide the same indemnification protections to employees and agents.

PGE has procured Directors and Officers liability insurance for wrongful acts. This is an indemnity policy for the corporation to protect it against liability assumed or incurred under the above indemnification provisions, including defense provisions, on behalf of the directors and officers. The directors and officers are thus indemnified against loss arising from any civil claim or claims by reason of any wrongful act done or alleged to have been done while acting in their respective capacities as directors or officers. The policy excludes claims brought about or contributed to by dishonest, fraudulent, criminal, or malicious acts or omissions by directors or officers. The policy covers the directors and officers of PGE against certain liabilities, including certain liabilities arising under the Securities Act, which might be incurred by them in such capacities and against which they cannot be indemnified by PGE.

E. Equity Compensation Plan

Following the effectiveness of the Plan, in order to attract, retain and motivate highly competent persons as key employees and non-employee directors of PGE, PGE expects to adopt a long-term equity incentive compensation plan providing for awards to such individuals over the ten-year term of the equity plan. The percentage of such awards of PGE Common Stock, on a fully diluted basis, is expected to be determined following consultation with the Creditors' Committee.

IX. CrossCountry Energy Corp.

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Business

1. General Development of Business

On June 24, 2003, ENE, ETS, and EOS filed a motion with the Bankruptcy Court for approval of a transaction that would transfer ENE's direct and indirect ownership interests in the Pipeline Businesses and certain service companies to a new holding company called "CrossCountry Energy Corp." Upon receipt of Bankruptcy Court approval of the proposed transaction, the direct and indirect interests in the Pipeline Businesses and related service companies owned by ENE and certain of its affiliates will be exchanged for shares of common stock in CrossCountry pursuant to the terms of the CrossCountry Contribution and Separation Agreement entered into on June 24, 2003. The closing of the transactions contemplated by the CrossCountry Contribution and Separation Agreement is expected to occur in late third quarter or early fourth quarter of 2003. Refer to Section IX.F., "Certain Relationships and Related Transactions" for further information.

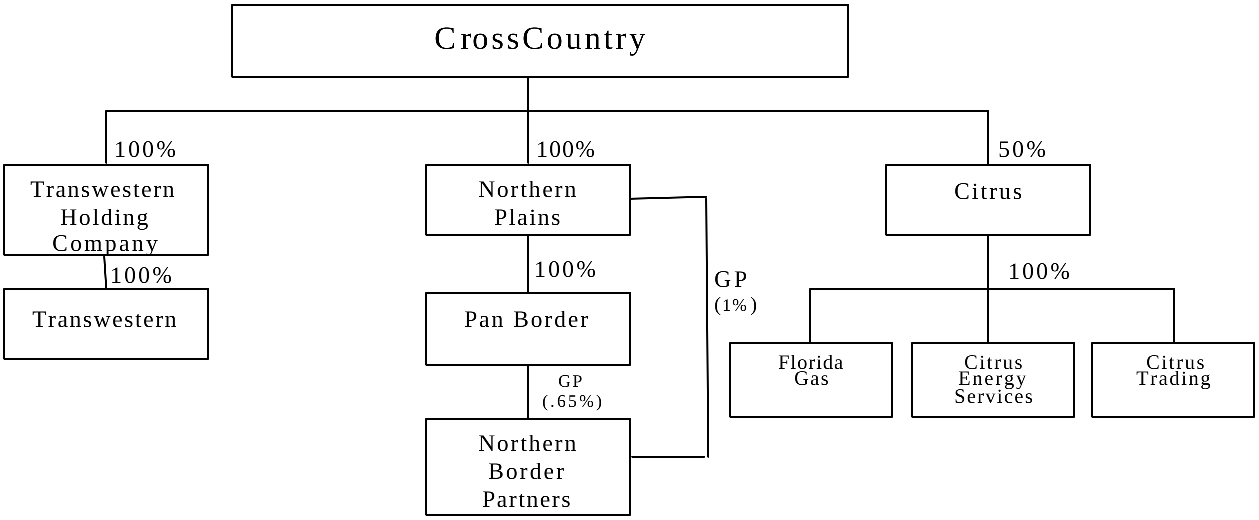
CrossCountry's principal assets will, upon closing of the formation transactions, consist of the following:

- A 100% ownership interest in Transwestern, which owns an approximately 2,600-mile interstate natural gas pipeline system that transports natural gas from western Texas, Oklahoma, eastern New Mexico, the San Juan basin in northwestern New Mexico and southern Colorado to California, Arizona, and Texas markets. Transwestern's net income for the year ended December 31, 2002 was $20.7 million.

- A 50% ownership interest in Citrus, a holding company that owns, among other businesses, Florida Gas, a company with an approximately 5,000-mile natural gas pipeline system that extends from southeast Texas to Florida. An affiliate of CrossCountry operates Citrus and certain of its subsidiaries. Citrus's net income for the year ended December 31, 2002 was $96.6 million, 50% of which, or $48.3 million, comprised ENE's equity earnings.

- A 100% interest in Northern Plains, which directly or through its subsidiaries holds 1.65% out of an aggregate 2% general-partner interest and a 1.06% limited-partner interest in Northern Border Partners, a publicly traded limited partnership (NYSE: NBP), that is a leading transporter of natural gas imported from Canada to the midwestern United States. Pursuant to operating agreements, Northern Plains operates Northern Border Partners' interstate pipeline systems, including Northern Border Pipeline, Midwestern, and Viking. Northern Border Partners also has (i) extensive gas gathering operations in the Powder River Basin in Wyoming, (ii) natural gas gathering, processing and fractionation operations in the Williston Basin in Montana and North Dakota, and the western Canadian sedimentary basin in Alberta, Canada, and (iii) ownership of the only coal slurry pipeline in operation in the United States. Northern Border Partners' net income for the year ended December 31, 2002 was $113.7 million, of which $9.1 million comprised ENE's equity earnings.

CrossCountry Ownership Structure after Contribution of Pipeline Businesses

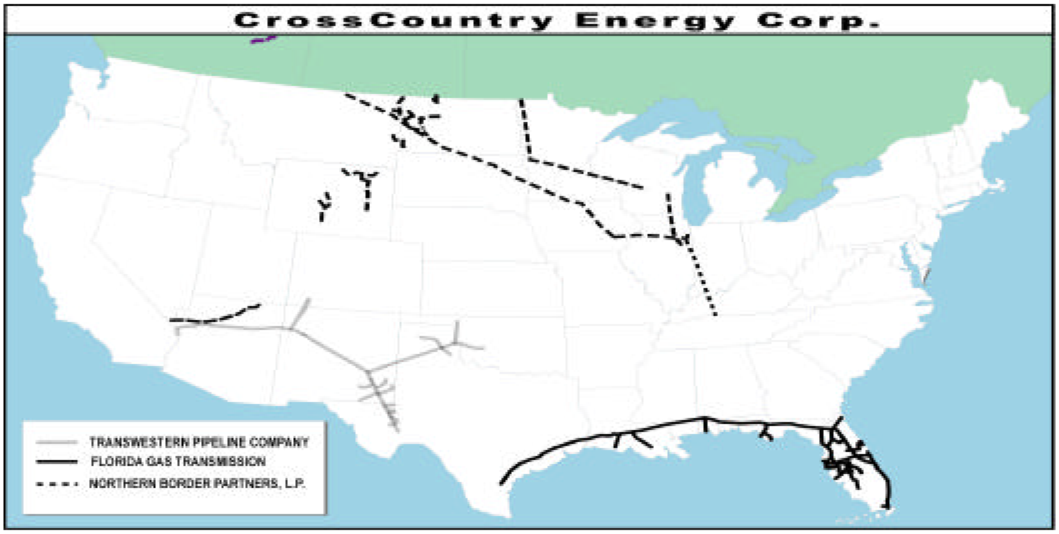


The Pipeline Businesses primarily provide natural gas transportation services to their customers through an extensive North American pipeline infrastructure. The Pipeline Businesses own or operate interstate pipelines that have a combined daily throughput capacity of approximately 8.5 TBtu/d (8.6 TBtu/d after completion of Florida Gas Phase VI Expansion described below) spanning approximately 9,900 miles and accessing many of the major gas supply and market growth-oriented regions in North America.

The interstate Pipeline Businesses provide firm and interruptible transportation services to third-party shippers, as well as hub services, which allow customers the ability to park or borrow volumes of gas on a pipeline. Firm shippers that contract for the stated transportation rate are obligated to pay a monthly demand charge, regardless of the amount of natural gas they actually transport, for the term of their contracts. Interruptible transportation service is transportation of natural gas in circumstances where capacity is available after satisfying firm service demands. If weather, maintenance schedules and other conditions allow, the interstate Pipeline Businesses provide interruptible transportation service. The interstate Pipeline Businesses do not own the gas that they transport and therefore do not assume natural gas commodity price risk for quantities transported. The Pipeline Businesses, however, assume limited price risk for volumes provided by customers as fuel reimbursement pursuant to FERC tariffs.

Following the closing of the formation transactions, CrossCountry will reflect its investments in Citrus and Northern Border Partners under the equity method of accounting. Accordingly, CrossCountry will report its share of Citrus' and Northern Border Partners' earnings as "Equity in Earnings" in its Consolidated Statement of Operations in the period in which such earnings are reported by Citrus and Northern Border Partners.

The following map shows facilities to be owned or operated by CrossCountry after the contribution of the Pipeline Businesses.


CrossCountry Energy Corp.
TRANSWESTERN PIPELINE COMPANY
FLORIDA GAS TRANSMISSION
NORTHERN BORDER PARTNERS, L.P.

CrossCountry's executive offices are located at 1400 Smith Street, Houston, Texas 77002 and its telephone number is 713-853-6161.

a. Business Strategy. CrossCountry's business strategy will be comprised of two major components. First, CrossCountry plans to seek out new pipeline gathering, processing or storage projects to match its customers' future needs and to provide supply optionality. CrossCountry will undertake such expansion projects when they are adequately backed by capacity contract commitments that result in reasonable returns being earned. Second, CrossCountry plans to seek out acquisitions that are immediately accretive to both cash flow and income. In executing its business strategy, CrossCountry plans to operate its pipeline, gathering and processing businesses in compliance with all applicable regulations to assure the safe operations of its pipeline systems, and will aim to provide reliable services at a reasonable cost.

CrossCountry should be well-positioned to implement its planned strategy, but will face risks both specific to its assets and general to the markets and geographic regions in which it will operate. In addition to Bankruptcy Court approval, the transfer of the Pipeline Businesses and distribution of CrossCountry Common Stock to Creditors may require consent of other parties. Refer to Section XIV.H., "CrossCountry" for further information on risk factors that should be carefully considered.

(i) Expansions. The interstate Pipeline Businesses to be contributed to CrossCountry in the formation transactions have a history of expanding their pipeline systems to meet growth in market demand and to increase customers' access to additional natural gas supplies. These expansions not only provide the individual interstate Pipeline Businesses with additional net income and cash flow, but also are important factors in maintaining and enhancing their market positions. Historically, the interstate Pipeline Businesses have undertaken expansions when they are backed by long-term firm contract commitments. Refer to Section XIV.H.1.a., "Execution of Growth Strategy" for further information.

Since 1992, Transwestern has added and expanded various pipeline segments, including the construction of a 520 BBtu/d San Juan lateral and the expansion of its mainline capacity at a cost of $270 million. In addition, Transwestern added: (i) 330 BBtu/d of capacity off the eastern portion of its system at a cost of $10.1 million; (ii) 420 BBtu/d of capacity from Blanco (a point in New Mexico) to Thoreau (a point in New Mexico) at a cost of $26.0 million; (iii) 200 BBtu/d of capacity from Ignacio (a point in Colorado) to Blanco at a cost of $7.3 million; and (iv) 120 BBtu/d of capacity on its mainline west segment (Arizona and California delivery) at a cost of $69.7 million.

Since 1995, Florida Gas has completed, or is in the process of completing, four major expansion projects. These expansion projects, which have cost $1.8 billion, have increased delivery capacity to the Florida market by approximately 1.3 TBtu/d.

Since 1992, Northern Border Pipeline completed three expansion projects at a cost of $1.1 billion, which extended its system from Ventura, Iowa into Illinois and Indiana and added 1.6 TBtu/d of capacity to various parts of its system.

CrossCountry anticipates that it will undertake future strategic expansions of the interstate Pipeline Businesses' pipeline systems to maintain and enhance its market position. Refer to Sections IX.A.2.a., "Transwestern" and IX.A.2.b., "Citrus" for further information.

(ii) Acquisitions. As a result of favorable tax advantages afforded master limited partnerships and the incentive distribution provisions of Northern Border Partners' partnership agreement, CrossCountry anticipates that Northern Border Partners will serve as one of CrossCountry's principal vehicles for the future acquisition of energy assets. Refer to Section XIV.H.1.a., "Execution of Growth Strategy" for further information.

Under the incentive distribution provisions of the Northern Border Partners partnership agreement, the general partners are entitled to incentive distributions if the amount distributed in any quarter exceeds $0.605 per common unit ($2.42 per common unit annualized). The general partners are entitled to 15% of amounts distributed in excess of $0.605 per common unit, 25% of amounts distributed in excess of $0.715 per common unit ($2.86 per common unit annualized) and 50% of amounts distributed in excess of $0.935 per common unit ($3.74 per common unit annualized). Thus, acquisitions that meet the investment criteria of Northern Border Partners and are accretive to Northern Border Partners' cash flows could offer CrossCountry attractive yields if these acquisitions enable Northern Border Partners to increase its quarterly distributions.

Over the past three years Northern Border Partners has increased its quarterly distribution per common unit by 23% from $0.65 per common unit to $0.80 per common unit. Over the same time period, Northern Border Partners has made acquisitions totaling $920 million. These acquisitions include 100% of the stock of Midwestern and Viking, including a one-third interest in Guardian and extensive gathering and processing facilities in the Rocky Mountain area.

Transwestern and Florida Gas have historically made acquisitions to meet market growth and gain access to gas supplies. Since 1995, Transwestern acquired the Ignacio to La Plata pipeline capacity for $20.6 million and Florida Gas acquired supply line facilities in the Mobile Bay area for $49.4 million.

b. Employees and Pipeline Services. As of August 19, 2003, the proposed consolidated subsidiaries of CrossCountry (Transwestern, Northern Plains, CGNN, and NBP Services) had 784 full-time employees, none of whom were represented by unions or covered by collective bargaining agreements. In addition, Citrus, Florida Gas, Citrus Trading and certain subsidiaries of Northern Border Partners have their own employees.

It is anticipated that CrossCountry and ENE will enter into a Transition Services Agreement in connection with the formation of CrossCountry pursuant to which ENE will provide to CrossCountry, on an interim, transitional basis, certain administrative, technology and other services. Refer to Section IX.F., "Certain Relationships and Related Transactions" for further information.

CGNN provides certain administrative and operating services to the Pipeline Businesses. These services include environmental, right-of-way, safety, information technology, accounting, planning, finance, procurement, accounts payable, human resources, and legal services. Each of the Pipeline Businesses reimburses CGNN for its costs for rendering these services, depending on the service provided to such pipeline. Costs may be billed based upon dedicated headcount, time spent providing the service, miles of pipeline, payroll, assets, margins, and/or overall headcount.

EOS or its affiliates, including CGNN, provides services to Citrus and its subsidiaries under an operating agreement originally entered into between an ENE affiliate and Citrus. The primary term of the operating agreement expired on June 30, 2001; however, services continue to be provided pursuant to the terms of the operating agreement. Under this arrangement, Citrus reimburses the service provider for costs attributable to the operations of Citrus and its subsidiaries. There can be no assurance that the parties will continue to perform under this arrangement.

Northern Plains provides operating services to the Northern Border Partners pipeline system pursuant to operating agreements entered into with Northern Border Pipeline, Midwestern, and Viking. Under these agreements, Northern Plains manages the day-to-day operations of Northern Border Pipeline, Midwestern, and Viking, and is compensated for the salaries, benefits, and other expenses it incurs. Northern Plains also utilizes ENE affiliates for administrative and operating services related to Northern Border Pipeline, Midwestern, and Viking.

NBP Services provides certain administrative and operating services for Northern Border Partners and its gas gathering and processing and coal slurry businesses. NBP Services is reimbursed for its direct and indirect costs and expenses pursuant to an administrative services agreement with Northern Border Partners. NBP Services also utilizes ENE affiliates to provide these services.

2. Narrative Description of Business

a. Transwestern. Transwestern owns and operates an approximately 2,600-mile interstate natural gas pipeline system with diameters ranging from twelve inches to thirty inches, and approximately 350 miles of small diameter branchlines. The Transwestern pipeline system transports natural gas from western Texas, Oklahoma, eastern New Mexico, and the San Juan basin in northwestern New Mexico and southern Colorado primarily to California and southwest markets and to markets off the east end of its system. The Transwestern pipeline system consists of mainlines that stretch from west Texas and Oklahoma to the California border. In addition, Transwestern has a major supply lateral from its mainline facilities at Thoreau, New Mexico into the San Juan basin. The Transwestern pipeline system has bi-directional flow capability from the San Juan basin eastward to interconnects with interstate pipelines serving the mid-continent markets and Texas intrastate pipelines. The Transwestern pipeline system has approximately 360 receipt and delivery points in California, Arizona, Colorado, New Mexico, Oklahoma, and Texas. It also has 29 mainline and lateral compressor stations. The maximum allowable operating pressure of the mainline ranges from 1,000 to 1,200 psig.

In 2003, Transwestern's total revenues are projected to be 85% from fixed sources (i.e., demand charges, which are fixed charges for transportation services that are paid even if no service is taken by the customer) and 15% from variable sources of revenues (including operational gas sales and transportation commodity charges, which are charges assessed on each unit of transportation provided).

Transwestern's business plan contemplates managing the quantity of line pack gas to maintain safe and efficient operations. "Line pack gas" refers to the volume of gas in a pipeline system used to maintain pressure and effect uninterrupted flow of gas to customers. Transwestern makes operational gas available for sale when reduced line pack is appropriate for system operations. A primary source of the operational gas available for sale is gas provided to Transwestern by its shippers as reimbursement for compressor fuel usage. When, due to throughput conditions, flow direction or operating efficiencies, Transwestern is able to consume less fuel than retained, such gas remains in the line pack and, if not needed for operations, becomes available for sale. Transwestern's FERC-approved tariff specifies the fuel quantity for each segment of the system as a fixed percentage of a shipper's transportation quantities. Operational sales comprised approximately 18% of revenues in 2001 and 14% of revenues in 2002 and are projected to constitute approximately 10% of revenues in 2003.

(i) Expansions. Transwestern placed its Red Rock expansion, serving markets in California and Arizona, in-service as of June 15, 2002. Transwestern's pipeline capacity (including both eastward and westward flow) after the completion of the Red

Rock expansion is approximately 2 TBtu/d, and the total horsepower from all compressor stations is approximately 330,500 hp.

In August 2001, Transwestern conducted an open season to solicit interest in a project to construct a lateral line extending from the Transwestern mainline 176 miles south to serve growing gas markets in the Phoenix, Arizona area. The original project also contemplated San Juan and mainline expansions. Transwestern received non-binding bids for over 440 BBtu/d for the Phoenix lateral pipeline. Many of the potential bidders are parties to an ongoing FERC allocation dispute on El Paso Natural Gas's pipeline system in FERC Docket No. RP00-336. Due to delays in this proceeding, several of the bidders have been unable to finalize their firm bids for a Transwestern Phoenix lateral pipeline. Transwestern continues to believe that such a proposed expansion project is important and economically viable to be placed into service in 2007; however, no assurances can be given that the project will be completed.

In March 2003, Transwestern conducted an open season to solicit interest in the expansion of the San Juan lateral pipeline from the Blanco Hub to the mainline from its current capacity of approximately 860 BBtu/d. Transwestern received non-binding bids requesting approximately 750 BBtu/d of capacity. Current project plans call for the completion of binding agreements during the second half of 2003, filing of a FERC certificate in the first quarter of 2004, construction in late 2004, and a projected in-service date in the second quarter of 2005. The proposed 600 BBtu/d expansion will include looping of existing pipeline segments and additional horsepower at existing compressor stations.

(ii) Customers. Transwestern's pipeline capacity, as of July 1, 2003, is held by producers (45%), local distribution companies (31%), marketing companies (21%), and end-users (3%). Currently, Transwestern's pipeline capacity for both west and east flow is subscribed under a combination of short- and long-term contracts. Historically, approximately 90% of the volumes scheduled on the Transwestern pipeline system has been on a firm transportation basis.

Transwestern's largest customers in 2002 were Southern California Gas Company, PG&E, and BP Energy Company. Southern California Gas Company accounted for 29.4% of Transwestern's transportation revenues under transportation agreements with terms that extend through October 31, 2005. PG&E accounted for 9.7% of Transwestern's transportation revenues, and BP Energy Company accounted for 9.0% of Transwestern's transportation revenues. Refer to Section XIV.H.1.e., "Concentrated Gas Transportation Revenues" for further information.

Transwestern's capacity is subscribed at a high level through October 31, 2005, with significant contract expirations timed to coincide at or near Transwestern's next rate case in 2006. In 2003, Transwestern's mainline west segment is expected to account for approximately 70% of Transwestern's firm transportation revenues. As of July 1, 2003, approximately 94% of Transwestern's firm capacity for its mainline west segment is under contract through January 1, 2004, 90% through January 1, 2005, 76% through January 1, 2006 and 40% through the end of 2006. In 2003, Transwestern's San Juan lateral segments are expected to account for approximately 20% of Transwestern's firm transportation revenue. As of July 1, 2003, approximately 100% of Transwestern's firm capacity for its San Juan lateral segments is under contract through January 1, 2004, 99% through January 1, 2005, 88% through January 1, 2006 and 47% through the end of 2006. In addition, Transwestern has significant firm contracts for eastward flow to markets in Texas and Oklahoma, but historically these contracts have not been on a long-term basis. Approximately 100% of eastward flow firm capacity is under contract through 2004. Refer to Section XIV.H.1.d: "Maintenance and Expiration of Transportation Service Agreements" for further information.

In 2001, the California power market was significantly impacted by the increase in wholesale prices. On April 6, 2001, PG&E filed for bankruptcy protection under chapter 11 of the Bankruptcy Code. This event had no material impact on the financial position or results of operations of Transwestern for the year ended December 31, 2002. Transwestern continues to provide transportation services to PG&E on a prepayment basis. CrossCountry cannot predict the final outcome of this situation or the uncertainties surrounding the California power situation. However, CrossCountry does not anticipate that these matters will have a material adverse impact on Transwestern's financial position or results of operations.

(iii) Supply. The Transwestern pipeline system has access to three significant supply basins for its gas supply: (1) the San Juan basin in northwestern New Mexico and southern Colorado, (2) the Permian basin in western Texas and eastern New Mexico, and (3) the Anadarko basin in the Texas and Oklahoma Panhandles. Additionally, the Transwestern pipeline system can access gas from the Rocky Mountain basin through its pipeline interconnections.

Through its San Juan lateral pipeline, the Transwestern pipeline system is capable of delivering gas from the San Juan basin to California, Arizona, New Mexico, and southern Nevada markets, as well as to markets off the east end of its system. This bi-directional flow capability was added in 1996 to increase system flexibility and utilization. New in-fill drilling programs approved by the New Mexico Oil Conservation Division for the San Juan basin and new Rockies production are also expected to increase Transwestern's San Juan lateral utilization. The Transwestern pipeline system can also supplement the San Juan basin production with gas supply from the Rocky Mountain basin via its interconnects with Northwest Pipeline Corporation, which is owned by The Williams Companies, and the TransColorado Gas Transmission Company, which is owned by Kinder Morgan, Inc. These two interconnects combine to provide the Transwestern pipeline system with approximately 500 BBtu/d of access to Rocky Mountain supplies. Since 2000, Transwestern has added five (5) new receipt interconnects in its East of Thoreau area: (1) an approximately 80 BBtu/d interconnect with Natural Gas Pipeline Company; (2) an approximately 20 BBtu/d interconnect with EOG Resources; (3) an approximately 40 BBtu/d interconnect with El Paso Field Services; (4) an approximately 120 BBtu/d interconnect with Agave Energy Company; and (5) an approximately 150 BBtu/d interconnect with NNG. In addition, a new approximately 50 BBtu/d interconnect, as well as an approximately 100 BBtu/d expansion of an existing interconnect, with Red Cedar Gathering, were completed in the San Juan basin area in 2001.

In June 2003, the bi-directional Rio Puerco interconnect with Public Service Company of New Mexico was expanded by approximately 50 BBtu/d. This dual purpose point allows Transwestern to receive more San Juan gas supply from Public Service Company of New Mexico in the summer and increase deliveries to it during peak winter months.

In July 2003, Transwestern completed the facilities necessary to provide shippers direct access to underground storage capacity. This 2 TBtu storage facility, owned by UnoCal Keystone Gas Storage, LLC, will have the ability to deliver to Transwestern or receive from Transwestern up to 100 BBtu/d.

b. Citrus. Citrus serves as the holding company for Florida Gas, Citrus Trading, and Citrus Energy Services. The Florida Gas pipeline system currently extends for approximately 5,000 miles from southeast Texas through the Gulf Coast region of the United States to southeastern Florida, with a pipeline also extending to the west coast of Florida, including the Tampa, St. Petersburg, and Ft. Myers areas. The Florida Gas pipeline system includes 29 mainline and field compressor stations with approximately 487,980 hp of compression (approximately 507,000 hp of compression upon the completion of the Phase VI Expansion scheduled to be fully in-service in November 2003). Florida Gas's pipeline system is designed to transport approximately 2.1 TBtu/d of natural gas to the State of Florida during periods of peak demand.

Florida Gas has two marketing regions: the Western Division, representing Texas, Louisiana, Mississippi and Alabama, and the Market Area, representing Florida. Western Division transport charges are mileage-based rates. Market Area division transport charges are postage stamp rates, meaning the customer can transport on Florida Gas's pipeline system at a fixed rate regardless of receipt point or delivery point into Florida.

Citrus Trading purchases and sells natural gas to end users in Florida. It currently has contracts to purchase and sell approximately 42 BBtu/d of natural gas. Citrus Trading sells gas to two customers at the present time. Citrus Trading's gas purchase contract with Duke Energy LNG is the subject of a dispute, and each party has provided notice of termination of the contract. Refer to Section IX.D., "Legal Proceedings", for further information. Citrus Trading sells gas to Auburndale Power Partners, LP and Progress Energy Florida, Inc., and buys gas through El Paso Merchant Energy, an affiliate of Southern Natural Gas. Refer to Section XIV.H.4.a., "Citrus Trading Contract Risk" for further information.

Citrus Trading makes sales pursuant to a blanket marketing certificate issued by FERC. The prices charged by Citrus Trading are not currently regulated by FERC. In a prior FERC proceeding, FERC had threatened to revoke Citrus Trading's blanket certificate, which would have prevented Citrus Trading from making sales for resale in interstate commerce at market rates, as opposed to cost-based rates (although Citrus Trading could make direct sales to end-users at market rates). By order dated June 25, 2003, FERC dismissed Citrus Trading from the proceeding, taking no action against it.

Citrus Energy Services is primarily in the business of providing operations and maintenance services to customers of Florida Gas and Citrus Trading. Due to increased insurance costs and pipeline integrity legislation that affects operators, Citrus Energy Services is in the process of exiting this business. The majority of the personnel operating Citrus Energy Services are direct employees of Florida Gas and to a lesser extent Citrus. Certain ENE entities provide management and support services to Citrus and its subsidiaries through an operating agreement that expired on June 30, 2001. Refer to Section IX.A.1.b., "Employees and Pipeline

Services" for further information. Refer to Section XIV.H., "CrossCountry" for further information about Citrus and its subsidiaries.

(i) Expansions.

(A) Phase V Expansion. In April 2003, Florida Gas completed its Phase V Expansion, which added approximately 167 miles of pipeline and approximately 133,000 hp of additional compression. The Phase V Expansion increased the Florida Gas pipeline system's capacity by approximately 428 BBtu/d. The cost of this project was approximately $430 million, and is supported by incremental long-term firm transportation service agreements for substantially all incremental peak period capacity. As part of Florida Gas's Phase V Expansion, it acquired an undivided interest in Gulf South Pipeline Company's Mobile Bay lateral pipeline. This undivided interest gives the Florida Gas pipeline system approximately 300 BBtu/d of firm receipt capacity on the Mobile Bay lateral pipeline. This purchase was closed in March 2002, to coincide with the in-service date of the first stage of the Phase V Expansion, which occurred in April 2002. Additionally, Florida Gas constructed the necessary facilities to connect this lateral pipeline to its mainline in Mobile County, Alabama.

(B) Phase VI Expansion. Florida Gas is in the process of constructing approximately 33 miles of pipeline and approximately 18,600 hp of additional compression at existing compression stations, which will increase its summer capacity by approximately 121 BBtu/d. This expansion is estimated to cost approximately $105 million upon completion and is supported by incremental long-term firm transportation service agreements for substantially all incremental peak period capacity. FERC issued a preliminary determination approving all non-environmental matters on February 28, 2002, and Florida Gas received a final certificate approving the Phase VI Expansion on June 13, 2002. The initial stage of its Phase VI Expansion was placed in-service in June 2003, and the entire project is expected to be completed by November 1, 2003.

(C) Future Expansions. Due to increasing demand for natural gas in Florida, Florida Gas continues to pursue opportunities to expand its pipeline system to meet the growing market requirements. Florida Gas is currently evaluating future system enhancements and expansions.

(ii) Customers. As of December 31, 2002, the Florida Gas pipeline system's peak period capacity was fully subscribed under firm transportation services agreements with 140 customers. Florida Gas's pipeline system also has direct physical connections with Florida Gas's customers' local distribution systems and gas-fired electric generation facilities. Florida Gas predominantly serves two types of customers in Florida: electric generation and gas distribution. The electric generation customers, which account for approximately 80% of the total annual throughput on Florida Gas's pipeline system, have a seasonal load pattern characterized by higher summer demands, due to their air-conditioning load requirements. The gas distribution customers have a seasonal load pattern characterized by higher demands during the winter, due to the heating requirements of their residential and small commercial customers. Florida Gas also serves industrial customers in Florida that take gas at a fairly constant rate during the year, as well as industrial customers that take gas on a seasonal basis.

Florida Gas's largest customers for 2002 were Florida Power and Light Company, which contracted for approximately 45% of revenues, and TECO Energy Inc. and its affiliates, which contracted for approximately 11% of revenues. Certain of Florida Gas's contracts have contingent termination or volume reduction rights. Although CrossCountry cannot assure that these rights will not be exercised, it does not anticipate that the exercise of these rights will have a material adverse impact on the financial condition of CrossCountry. Refer to Section XIV.H.1.d., "Maintenance and Expiration of Transportation Service Agreements" for further information.

Approximately 94% of Florida Gas's revenues for 2002 were derived from the reservation revenues that the customer must pay regardless of volumes shipped. The reservation revenues are based on contracted-for transport volumes priced at the reservation tariff rate, subject to certain rate caps. The remaining 6% of revenues were usage revenues that Florida Gas's customers paid based on the volumes that were scheduled. After giving effect to the Phase VI Expansion, Florida Gas's pipeline system will have a summer-time peak load capacity of approximately 2.1 BBtu/d, with an historical average annual throughput load factor of over 85%.

Florida Gas's firm capacity is contracted at a high level through 2006. Many of Florida Gas's firm contracts have a "seasonal tilt," meaning that customers contract for a larger transportation quantity during their peak usage months than during off-peak months. Thus, Florida Gas has a larger percentage of its firm capacity under contract during the summer than during the winter. Florida Gas has approximately 97% of its available summer capacity under firm contract, on average, through 2006.

(iii) Supply. Florida Gas's pipeline system primarily receives natural gas from natural gas producing basins in the Louisiana and Texas Gulf Coast, Mobile Bay and offshore Gulf of Mexico. In addition, Florida Gas's pipeline system operates and maintains more than 40 interconnects with major interstate and intrastate natural gas pipelines, which provide Florida Gas's customers access to most major natural gas producing regions in the contiguous 48 states of the United States and in Canada.

(iv) Citrus Governance. ENE and Southern Natural Gas, a subsidiary of El Paso, each currently owns 50% of the outstanding shares of Citrus. Following the contribution of ENE's interest in Citrus to CrossCountry, Citrus will be owned equally by CrossCountry and Southern Natural Gas and will be governed by a six person board of directors, three of whom will be elected by CrossCountry and three of whom will be elected by Southern Natural Gas. Significant corporate governance, administration, transactions, policy, and operational decisions that affect Citrus and its subsidiaries must be approved by the Citrus board of directors, as required under the by-laws of Citrus and its subsidiaries. EOS, as operator, is responsible under the operating agreement for the day-to-day management of Citrus and the Florida Gas pipeline system. Refer to Section IX.A.1.b., "Employees and Pipeline Services" for further information.

ENE and El Paso's subsidiary, Southern Natural Gas, are parties to a Capital Stock Agreement, which governs ownership and disposition of the shares of Citrus. Upon the contribution by ENE of its equity interest in Citrus to CrossCountry, it is expected that

CrossCountry will agree to be bound by the provisions of the Capital Stock Agreement applicable to ENE so long as such agreement remains in effect.

The Capital Stock Agreement contains restrictions on the transfer of Citrus's stock. For example, ENE may only transfer its Citrus stock to a "Subsidiary," which is defined as an entity in which ENE, either directly or indirectly, holds 100% of the capital stock entitled to vote in the election of directors. In the event that a Subsidiary of ENE that owns Citrus stock ceases to be a Subsidiary of ENE, such Citrus stock must be transferred back to ENE.

In addition, the Capital Stock Agreement contains certain rights of first refusal, which provide that, subject to limited exceptions, if either of the Citrus shareholders desires to sell its shares of Citrus stock to a non-affiliate for cash, such shares must first be offered to the other shareholder, in accordance with the conditions and procedures outlined in the agreement.

The Capital Stock Agreement also provides that if either of the Citrus shareholders experience a change of control, the other shareholder, known under the agreement as the electing principal, will have the option:

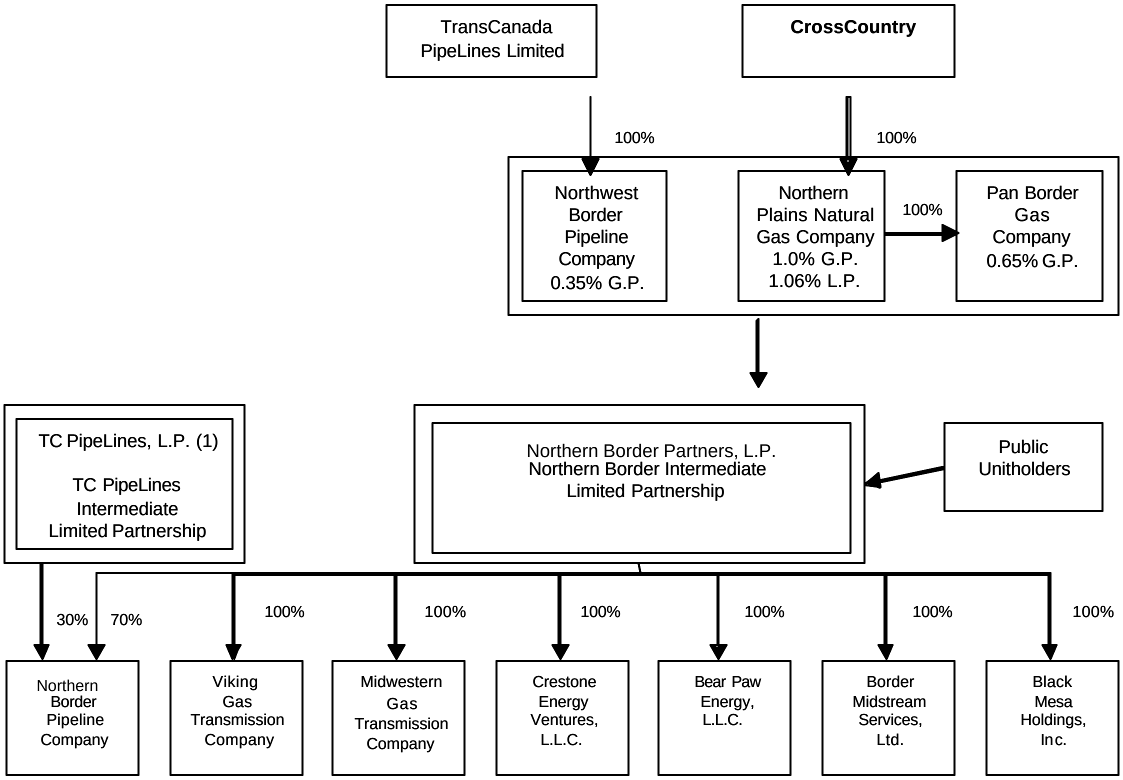
- to purchase for cash all of the Citrus stock owned by the shareholder to which the change of control relates, known under the agreement as the non-electing principal; or

- to require the non-electing principal to purchase for cash all of the electing principal's Citrus stock.

In either case, the Citrus stock must be purchased or sold for a purchase price determined in accordance with the Capital Stock Agreement.

c. **Northern Plains**. CrossCountry will hold its interest in Northern Border Partners through Northern Plains. Northern Plains, directly and through its subsidiary, Pan Border, holds a general-partner interest of approximately 1.65%, and a limited-partner interest of approximately 1.06%, in Northern Border Partners.

Northern Border Partners Ownership Structure



TransCanada PipeLines Limited
CrossCountry
100%
100%
Northwest Border Pipeline Company 0.35% G.P.
Northern Plains Natural Gas Company 1.0% G.P. 1.06% L.P.
100%
Pan Border Gas Company 0.65% G.P.
TC PipeLines, L.P. (1)
TC PipeLines Intermediate Limited Partnership
Northern Border Partners, L.P.
Northern Border Intermediate Limited Partnership
Public Unitholders
30%
70%
100%
100%
100%
100%
100%
100%
Northern Border Pipeline Company
Viking Gas Transmission Company
Midwestern Gas Transmission Company
Crestone Energy Ventures, L.L.C.
Bear Paw Energy, L.L.C.
Border Midstream Services, Ltd.
Black Mesa Holdings, Inc.

(1) TC PipeLines Intermediate Limited Partnership is a subsidiary of TC PipeLines, LP. TC PipeLines, LP is a publicly traded partnership whose general partner, TC PipeLines GP, Inc., is a wholly owned subsidiary of TransCanada PipeLines Limited.

In addition to the distributions received by Northern Plains on its limited-partner interests, Northern Plains also receives an incentive distribution from Northern Border Partners as a result of its ownership of general-partner interests in Northern Border Partners. Under the incentive distribution provisions of the Northern Border Partners partnership agreement, the general partners are entitled to incentive distributions if the amount distributed in any quarter exceeds $0.605 per common unit ($2.42 per common unit annualized). The general partners are entitled to 15% of amounts distributed in excess of $0.605 per common unit, 25% of amounts distributed in excess of $0.715 per common unit ($2.86 per common unit annualized), and 50% of amounts distributed in excess of $0.935 per common unit ($3.74 per common unit annualized). The amounts that trigger incentive distributions at various levels are subject to adjustment in certain events, as described in the Northern Border Partners partnership agreement. The actual level of distributions Northern Plains will receive in the future will vary with the level of distributable cash determined in accordance with the Northern Border Partners partnership agreement.

Northern Plains and Pan Border control 82.5% of the voting power on the Northern Border Partners partnership policy committee, which directs the activities of Northern Border Partners. The remaining 17.5% voting power on the Northern Border Partners partnership policy committee is held by Northwest Border Pipeline Company, a subsidiary of TransCanada PipeLines Limited. Pursuant to services and operating agreements, Northern Plains and NBP Services provide operating and administrative services to Northern Border Partners.

Northern Border Partners owns a 70% general partner interest in Northern Border Pipeline. The remaining 30% general partner interest in Northern Border Pipeline is owned by TC Pipelines Intermediate Limited Partnership, a subsidiary of TC Pipelines, LP, a publicly traded partnership. Northern Border Pipeline owns and manages a 1,249-mile natural gas pipeline system. The Northern Border Pipeline system consists of 822 miles of 42-inch diameter pipe from the Canadian border to Ventura, Iowa, capable of transporting a total of approximately 2.4 TBtu/d; 30-inch diameter pipe and 36-inch diameter pipe, each approximately 147 miles in length, capable of transporting approximately 1.5 TBtu/d in total from Ventura, Iowa to Harper, Iowa; 226 miles of 36-inch diameter pipe and 19 miles of 30-inch diameter pipe capable of transporting approximately 844 BBtu/d from Harper, Iowa to Manhattan, Illinois (Chicago area); and 35 miles of 30-inch diameter pipe capable of transporting approximately 545 BBtu/d from Manhattan, Illinois to a terminus near North Hayden, Indiana.

Along the Northern Border Pipeline system there are 16 compressor stations with a total of 499,000 hp and measurement facilities to support the receipt and delivery of gas at various points. Other facilities include four field offices and a microwave communication system with 51 tower sites. In the year ended December 31, 2002, Northern Border Partners estimated that Northern Border Pipeline transported approximately 20% of the total amount of natural gas imported from Canada to the United States.

The Northern Border Pipeline system serves more than 50 firm transportation shippers with diverse operating and financial profiles. Based upon shippers' contractual obligations, as of December 31, 2002, 91% of the firm capacity was contracted by producers and marketers. The remaining firm capacity was contracted to local distribution companies (6%), interstate pipelines (2%) and end-users (1%). As a result of commercial activity during July 2003, approximately 100% of Northern Border Pipeline's capacity is under contract through December 31, 2003 and, assuming no extensions of existing contracts or execution of new contracts, approximately 70% is under contract through December 31, 2004 and approximately 59% through December 31, 2005.

Midwestern, a subsidiary of Northern Border Partners, owns a 350-mile pipeline system extending from an interconnection with Tennessee Gas Transmission near Portland, Tennessee to a point of interconnection with several interstate pipeline systems near Joliet, Illinois. Midwestern's pipeline system serves markets in Chicago, Kentucky, southern Illinois, and Indiana. Midwestern's pipeline system consists of 350 miles of 30-inch diameter pipe with a capacity of approximately 650 BBtu/d for volumes transported from Portland, Tennessee to the north. There are seven compressor stations with a total of 69,070 hp.

Effective January 17, 2003, Northern Border Partners acquired Viking, including a one-third interest in Guardian Pipeline L.L.C. from Xcel Energy Inc. The Viking pipeline system extends from an interconnection with TransCanada near Emerson, Manitoba to an interconnection with ANR Pipeline Company near Marshfield, Wisconsin. Viking also has interconnections with NNG and Great Lakes Gas Transmission to serve markets in Minnesota, Wisconsin, and North Dakota. The Viking pipeline system consists of 499-miles of 24-inch diameter mainline pipeline with a design capacity of approximately 500 BBtu/d at the origin near Emerson, Manitoba and 300 BBtu/d at the terminus near Marshfield, Wisconsin, 95 miles of 24-inch mainline looping and 79 miles of smaller diameter lateral pipelines. There are eight compressor stations with a total of 68,650 hp. Based upon shipper contractual obligations as of December 31, 2002, approximately 72% of the firm transportation capacity is contracted by local distribution companies, 24% by marketers, and 4% by end-users. Viking's source of gas supply is the western Canadian sedimentary basin.

Through its ownership of Bear Paw Energy, LLC and Crestone Energy Ventures, Northern Border Partners has ownership interests in gathering systems in the Powder River, Wind River, and Williston basins and processing plants in the Wind River and Williston basins in the United States. Northern Border Partners also owns an interest in gathering pipelines in Alberta, Canada, through its subsidiary Border Midstream Services, Ltd. Northern Border Partners' subsidiary Black Mesa owns a 273-mile coal slurry pipeline and transports coal-water slurry via a pipeline in the southwestern United States. Northern Border Partners' gas gathering and processing segment provides services for the gathering, treating, processing and compression of natural gas and the fractionation of NGLs for third parties and related field services. Northern Border Partners does not explore for, or produce, crude oil or natural gas, and does not own crude oil or natural gas reserves. Refer to Section XIV.H.1.f., "Expansion of Northern Border Partners' Midstream Gas Gathering Business" for further information.

Additional information concerning the business of Northern Border Partners is contained in Northern Border Partners' 2002 annual report on Form 10-K, quarterly reports for the first and second quarters 2003 on Form 10-Q, current reports on Form 8-K, and the Form 424B filed with the SEC on May 21, 2003, which are available in the "Related Documents" section at http://www.enron.com/corp/por/. For financial information on Northern Border Partners, refer to the consolidated financial statements of Northern Border Partners and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in Northern Border Partners' annual report on Form 10-K. The Debtors did not prepare these reports, but they contain information which may be relevant to the Creditors' decision to approve the Plan.

3. Competition

The interstate Pipeline Businesses compete with other pipeline companies for transportation customers on the basis of transportation rates, access to competitively priced supplies of natural gas in markets served by the pipelines, and the quality and reliability of transportation services. The competitiveness of transportation services on a given pipeline to any market is generally determined by the total delivered natural gas price from a particular supply basin to the market served by the pipeline. The cost of transportation on the pipeline is only one component of the total delivered cost.

Overall, the interstate Pipeline Businesses' transportation volumes are also affected by factors such as the availability and economic attractiveness of other energy sources. Hydroelectric generation, for example, may become available based on ample snowfall and displace demand for natural gas as a fuel for electric generation. In providing interruptible and short-term transportation service, the interstate Pipeline Businesses also compete with released capacity offered by shippers holding firm contract capacity on their pipelines.

a. Transwestern. Transwestern competes with several interstate pipelines to serve the California market. These major competitors are Pacific Gas and Electric-Gas Transmission Northwest Corporation, Kern River, El Paso Natural Gas, and Southern Trails Pipeline Company. Pacific Gas and Electric-Gas Transmission Northwest Corporation transports western Canadian supplies and Kern River transports Rocky Mountain supplies to the California markets. Like Transwestern, El Paso Natural Gas transports southwest United States supplies from the San Juan, Permian, and Anadarko basins to the California border. Southern Trails Pipeline Company carries approximately 80 BBtu/d from the San Juan area to the California border. Transwestern's pipeline capacity currently represents approximately 15% of the available pipeline capacity to the California markets. Transwestern and El Paso Natural Gas are the only interstate pipelines that currently serve the Arizona and New Mexico markets.

Kern River has completed an expansion that increased its capacity capable of reaching the California border by approximately 900 BBtu/d. The Kern River expansion was placed in-service May 1, 2003. El Paso Natural Gas received FERC approval to complete its "Power Up" Project adding additional transportation capacity of 320 BBtu/d to the California border by April 1, 2005. When the primary term of Transwestern's firm contracts expire, competition from Kern River and El Paso Natural Gas may have a material adverse effect on Transwestern's ability to extend its contracts at maximum tariff rates. Refer to Section XIV.H.1.d., "Maintenance and Expiration of Transportation Service Agreements" for further information.

b. Citrus. Historically, the Florida Gas pipeline system has been the only interstate natural gas pipeline system serving peninsular Florida. This changed on May 28, 2002, when Phase I of the Gulfstream expansion was placed into service. Gulfstream is sponsored by a joint venture of Duke Energy Corporation and The Williams Companies. According to Gulfstream's press releases, Phase I of the Gulfstream project consists of a 581-mile pipeline system that originates near Pascagoula, Mississippi and Mobile, Alabama and traverses the Gulf of Mexico to Florida, coming onshore near Tampa in Manatee County, Florida. Gulfstream's filings with FERC report that Gulfstream has firm contracts for over approximately 300 BBtu/d on a pipeline with a certificated capacity of approximately 1 TBtu/d. CrossCountry understands that Gulfstream has direct connections with six of Florida Gas's customers.

Gulfstream has interconnects with Florida Gas's pipeline system in Hardee and Osceola Counties, Florida. Gulfstream has proposed a Phase II expansion across central Florida, which would ultimately extend its pipeline system to Palm Beach County. Gulfstream's Phase II expansion was originally scheduled to be placed into service on or about June 1, 2003, but Gulfstream has delayed the Phase II expansion in-service date.

In a May 30, 2003 press release, Gulfstream announced the execution of a 23-year firm transportation agreement with Florida Power & Light Company in which Gulfstream will provide up to 350 BBtu/d of firm gas transportation service for their planned Martin and Manatee repowering projects in mid-2005.

Gulfstream's primary future target markets are expected to be gas-fired electric generation projects that are anticipated to be developed over the next 10 years. Gulfstream's proposed tariff rates after the completion of its Phase II expansion are expected to be comparable to Florida Gas's incrementally priced firm transportation service rate schedule (FTS-2). Gulfstream may directly compete with Florida Gas to serve several customers. This would not affect the collection of the reservation revenues on Florida Gas's current contracts, but it could impact the usage of Florida Gas's facilities. CrossCountry believes that Florida Gas's contracts expiring prior to 2015 (FTS-1 contracts) will not be materially impacted by Gulfstream, as the reservation rates under these contracts are lower than Gulfstream's current tariff. However, when the primary terms of the first FTS-2 contracts expire in 2015, competition from Gulfstream may have a material adverse effect on Florida Gas's ability to extend such contracts at maximum tariff rates. Refer to Section XIV.H.1.d., "Maintenance and Expiration of Transportation Service Agreements" for further information.

Florida Gas also serves the Florida panhandle, where it competes with Gulf South Pipeline Company and the natural gas transportation business of the South Georgia system, which is owned by Southern Natural Gas. Florida Gas faces additional competition to a lesser degree, from alternate fuels, including residual fuel oil, in the Florida market, as well as from proposed LNG facilities.

c. Northern Plains. Northern Border Pipeline and Viking compete with other pipeline companies that transport natural gas from the western Canadian sedimentary basin or that transport natural gas to end-use markets in the midwest United States. Their competitive positions are affected by the availability of Canadian natural gas for export, the availability of other sources of natural gas and demand for natural gas in the United States. Demand for transportation services on these pipeline systems is affected by natural gas prices, the relationship between export capacity and production in the western Canadian sedimentary basin, and natural gas shipped from producing areas in the United States. Shippers of natural gas produced in the western Canadian sedimentary basin also have other options to transport Canadian natural gas to the United States; including transportation on the Alliance Pipeline and TransCanada's pipeline system, through various interconnects with U.S. interstate pipelines or to markets on the west coast of the United States.

Midwestern can receive and deliver gas at either end of its pipeline system, which makes it a header pipeline system. Consequently, Midwestern faces competition from multiple supply sources and interstate pipelines. In the Chicago market, Midwestern competes with pipelines transporting gas from the Gulf Coast and the mid-continent and gas sourced from Canada. In the Indiana and Western Kentucky markets, Midwestern competes primarily against pipelines transporting gas from the Gulf Coast and mid-continent into these markets.

4. Demand for Natural Gas Pipeline Transportation Capacity

The long-term financial condition of the Pipeline Businesses is dependent on the continued availability of economic natural gas supplies. Natural gas reserves may require significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation, and other facilities that permit natural gas to be produced and delivered to pipelines that interconnect with the Pipeline

Businesses' pipeline systems. Low prices for natural gas, regulatory limitations or the lack of available capital for these projects could adversely affect the development of additional reserves and the production, gathering, storage, and pipeline transmission of natural gas supplies.

Each of the interstate Pipeline Businesses also depends on the level of demand for natural gas in the markets the interstate Pipeline Businesses serve. The volumes of natural gas delivered to these markets from other sources affect the demand for both the natural gas supplies and the use of the pipeline systems. Demand for natural gas to serve other markets also influences the ability and willingness of shippers to use the interstate Pipeline Businesses' systems to meet demand in the markets that the interstate Pipeline Businesses serve.

A variety of factors could affect the demand for natural gas pipeline capacity in the markets that the interstate Pipeline Businesses serve. These factors include:

- economic conditions;
- fuel conservation measures;
- alternative energy availability and prices;
- gas storage inventory levels;
- climatic conditions;
- government regulation; and
- technological advances in fuel economy and energy generation devices.

The interstate Pipeline Businesses' primary exposure to market risk occurs at the time existing transportation contracts expire and are subject to renegotiation. A key determinant of the value that customers can realize from firm transportation on a pipeline is the basis differential or market price spread between two points on the pipeline and/or competition from other pipelines or other fuels. The difference in natural gas prices between the points along the pipeline where gas enters and where gas is delivered represents the gross margin that a customer can expect to achieve from holding transportation capacity at any point in time. This margin and its variability become important factors in determining the rates customers are willing to pay when they renegotiate their transportation contracts. The basis differential between markets can be affected by trends in production, available capacity, storage inventories, weather, and general market demand in the respective areas.

CrossCountry cannot predict whether these or other factors will have an adverse effect on demand for use of the interstate Pipeline Businesses to be contributed to CrossCountry or how significant that adverse effect could be. Refer to Section XIV.H.1.i., "Significant Decrease in Demand for Natural Gas" for further information.

5. Seasonality

Transwestern's demand is not distinguished by strong seasonal patterns. Demand for delivery capacity to the western market is impacted by natural gas requirements for electric generation in the Southwest region, which can be significantly impacted by high/low hydro-electric power generation levels available from the Pacific Northwest. Management of storage fields in California allow utilities to levelize peak demand for natural gas. Demand for delivery capacity to the eastern market can be impacted by electric generation gas requirements in the Texas intrastate markets for summer air conditioning loads and by demand for winter heating gas requirements in the Midwestern markets. With minor exceptions, Transwestern's long-term transportation agreements are not subject to seasonal fluctuations in demand revenues.

Florida Gas has experienced significant fluctuation in seasonal demand for natural gas transportation into Florida, with historically the highest throughput occurring from May through September. Florida Gas's contracted for base capacity peaks in the summer to coincide with the electric load needed to provide air conditioning in the Florida market. In spite of seasonal fluctuations, Florida Gas's pipeline system has consistently exceeded an annual pipeline throughput load factor of over 85%. However, because of the straight-fixed variable (SFV) rate design implemented in 1993, these seasonal fluctuations have not had a material impact on Florida Gas's revenues or net income. For the last several years, the higher cost of competing fuel to Florida Gas's customers has created additional demand for natural gas, and the pipeline throughput has remained at high levels effectively year round; however, price differentials between competing fuels and natural gas fluctuate on a periodic basis. CrossCountry cannot predict whether or to what extent these conditions will continue.

Throughput on Northern Border Partners' pipelines may experience seasonal fluctuations depending upon the level of winter heating load demand or summer electric generation usage in the markets served by the pipeline systems. However, since approximately 98% of the agreed upon cost of service for these pipelines is attributable to demand charges, Northern Border Partners' revenues are not impacted materially by such seasonal throughput variations.

6. Regulatory Environment

The interstate Pipeline Businesses to be contributed to CrossCountry pursuant to the formation transactions are regulated by FERC under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Generally, FERC's authority extends to:

- transportation of natural gas;
- rates and charges;
- certification and construction or acquisition of facilities;
- abandonment of facilities;
- initiation and discontinuation of service;

- maintenance of accounts and records;
- relationships between pipelines and their marketing affiliates;
- terms and conditions of service; and
- depreciation and amortization policies.

FERC regulates the rates and charges for transportation in interstate commerce. Natural gas companies may not charge rates exceeding rates determined to be just and reasonable by FERC. Generally, rates for interstate pipelines are based on the applicable pipeline's cost of service, including recovery of, and a return on, the pipeline's actual historical net investment. In addition, FERC prohibits natural gas companies from unduly preferential or discriminatory treatment of any person with respect to pipeline rates or terms and conditions of service. Some types of rates may be discounted without further FERC authorization and rates may be negotiated subject to FERC approval. The rates and terms and conditions for service are found in FERC approved tariffs. Under its tariff, an interstate pipeline is allowed to charge for its services on the basis of stated transportation rates. Transportation rates are established periodically in FERC proceedings known as rate cases. The tariff also allows the interstate pipeline to provide services under negotiated and discounted rates.

The fees or rates established under the interstate Pipeline Businesses' tariffs are a function of their costs of providing services to their customers, including a reasonable return on invested capital; consequently, their financial results have historically been relatively stable. However, these results can be subject to volatility due to factors such as weather, changes in natural gas prices and market conditions, regulatory actions, competition, and the creditworthiness of customers. From time to time, the interstate Pipeline Businesses file to make changes to their tariffs to clarify provisions, to reflect current industry practices and to reflect recent FERC changes in regulations and other rulings. Refer to Section XIV.H.1.c., "FERC Imposed Tariff Adjustments" for further information.

FERC Order No. 636 required interstate natural gas pipelines that perform open access transportation under blanket certificates to "unbundle" or separate their traditional merchant sales services from their transportation and storage services. In addition Order No. 636 required pipelines to provide comparable transportation and storage services with respect to all natural gas supplies, whether such natural gas is purchased from the pipeline or from other merchants such as marketers or producers. Each interstate natural gas pipeline is required to separately state the applicable rates for each unbundled service. Except for certain marketing subsidiaries, the Pipeline Businesses proposed to be contributed to CrossCountry pursuant to the formation transactions do not provide merchant services, except for Transwestern, which provides sales service to certain small customers.

On February 9, 2000, FERC issued Order No. 637, which amended specified regulations governing interstate natural gas transmission companies in response to the development of more competitive markets for natural gas and the transportation of natural gas. Among other things, FERC Order No. 637 revised FERC pricing policy by waiving price ceilings for short-term released interstate pipeline transportation capacity for a two-year period (which expired on September 30, 2002), and effected changes in FERC regulations relating to interstate transportation scheduling procedures, capacity segmentation, pipeline penalties, rights of first refusal and information reporting. Most major aspects of Order No. 637 are pending judicial review. It is uncertain whether and to what extent FERC's market reforms will survive judicial review and, if so, whether FERC's actions will achieve the goal of further increasing competition in natural gas markets. The final rule also required the posting of corporate and pipeline organizational charts, names, and job descriptions. The reporting requirements became effective September 1, 2000.

The interstate Pipeline Businesses are also subject to the requirements of FERC Order Nos. 497 and 566, which prohibit preferential treatment by an interstate natural gas pipeline of its marketing affiliates and govern the information an interstate natural gas pipeline can provide to its marketing affiliates. On September 27, 2001, FERC issued a NOPR in Docket No. RM01-10 in which it proposed new standards of conduct that would apply uniformly to natural gas pipelines and public utilities transmitting electricity. FERC is proposing one set of standards to govern relationships between such regulated natural gas and electric transmission providers and all energy affiliates. Should a final rule be issued in this proceeding, the interstate Pipeline Businesses to be contributed to CrossCountry pursuant to the formation transactions may be subject to standards that could result in additional costs and separation of functions and staffing with its affiliates. In May 2002, FERC held a technical conference on the proposed rulemaking. To date, FERC has not acted on the proposal.

On July 17, 2002, FERC issued a Notice of Inquiry Concerning Natural Gas Pipeline Negotiated Rate Policies and Practices in Docket No. PL02-6-000. Subsequently, FERC issued an order on July 25, 2003, modifying its prior policy on negotiated rates. FERC ruled that it would no longer permit the pricing of negotiated rates based upon natural gas commodity price indices. Negotiated rates based upon such indices may continue until the end of the contract period for which such rates were negotiated, but such rates will not be prospectively approved by FERC. FERC also imposed certain requirements on other types of negotiated rate transactions to ensure that the agreements embodying such transactions do not materially differ from the terms and conditions set forth in the tariff of the pipeline entering into the transaction. Since the Pipeline Businesses do not derive a significant source of their revenues from negotiated rate transactions, this FERC ruling is not expected to have a material effect on their businesses.

Recent FERC orders in proceedings involving other natural gas pipelines have addressed certain aspects of the pipelines' creditworthiness provisions set forth in their tariffs. In addition, industry groups such as the Northern American Energy Standards Board are studying creditworthiness standards and may recommend that FERC promulgate changes in such standards on an industry-wide basis. The enactment of some of these recommendations may have the effect of easing certain creditworthiness standards and parameters currently reflected in the interstate Pipeline Businesses' tariffs. Recent FERC orders have indicated, however, that pipelines are free to negotiate credit terms relative to the construction of new facilities by a pipeline, which are then effective for the term of the contract and are not superceded by tariff provisions once the facilities are completed. At this stage of the rulemaking proceedings, however, CrossCountry cannot predict what changes may be required, if any, or the ultimate impact, if any, such changes would have on the Pipeline Businesses.

On August 1, 2002, FERC issued a NOPR in Docket No. RM02-14-000 regarding the regulation of the cash management practices of the natural gas and other companies that it regulates. On June 26, 2003, FERC issued an interim rule in that proceeding that amended FERC's regulations to provide for documentation requirements for cash management programs and to implement new reporting requirements. Specifically, under the interim rule, all cash management agreements between regulated entities and their affiliates must be in writing, must specify the duties and responsibilities of cash management participants and administrators, must specify the methods for calculating interest and for allocating interest income and expense, and must specify any restrictions on deposits or borrowings by participants. A FERC-regulated entity must file with FERC any cash management agreements to which it is a party, as well as any subsequent changes to such agreements. In addition, a FERC-regulated entity must notify FERC when its proprietary capital ratio falls below 30%. Such notification must include the entity's proprietary capital ratio, the significant event(s) or transaction(s) that contributed to the proprietary capital ratio falling below 30%, the extent to which the entity has amounts loaned or advanced to others within its corporate group through its cash management program, and plans, if any, to raise its proprietary capital ratio. The entity is also required to notify FERC when the entity's proprietary capital ratio subsequently returns to or exceeds 30%. This FERC ruling is not expected to have a material effect on CrossCountry.

Also on August 1, 2002, FERC's Chief Accountant issued an Accounting Release providing guidance on how companies should account for money pool arrangements and the types of documentation that should be maintained for these arrangements. However, the Accounting Release did not address the proposed requirement that a FERC-regulated entity maintain a minimum proprietary capital balance of 30% and that the entity and its parent have investment-grade credit ratings. Requests for rehearing were filed on August 30, 2002. FERC has not yet acted on the rehearing requests. Although it cannot predict the outcome of the rehearing, CrossCountry does not expect that FERC's proposed accounting rules/guidance will have a material adverse impact on the interstate Pipeline Businesses' cash management practices.

The Pipeline Safety Improvement Act of 2002, Public Law 107-355, was signed into law on December 17, 2002, providing guidelines in the areas of risk analysis and integrity management, public education programs, verification of operator qualification programs and filings with the National Pipeline Mapping System. The Pipeline Safety Improvement Act of 2002 requires pipeline companies to perform integrity assessments on pipeline segments that exist in high population density areas or near specifically identified sites that are designated as high consequence areas. Pipeline companies are required to perform the integrity assessments within ten years of the date of enactment and must perform subsequent integrity assessments on a seven-year cycle. At least 50% of the highest risk segments must be assessed within five years of the enactment date. The risk ratings are based on numerous factors, including the population density in the geographic regions traversed by a particular pipeline, as well as other factors related to the condition of the pipeline and its protective coating and the pipeline segment's susceptibility or vulnerability to various other integrity threats, such as third-party damage. Assessments will consist of hydrostatic testing, internal electronic testing, or direct assessment of the piping. In addition, within one year of the law's enactment, the Pipeline Businesses' operator qualification programs, in force since the mandatory compliance date of October 2002, must also conform to standards the DOT is responsible for providing. The regulations implementing the Pipeline Safety Improvement Act of 2002 are not yet final. Rules on integrity management, direct assessment usage, and the operator qualification standards are mandated by the Pipeline Safety Improvement Act of 2002 to be completed by December 17, 2003. CrossCountry cannot predict the outcome or impact of these rules and regulations. The interstate Pipeline Businesses have made the required filings with the national Pipeline Mapping System, and have reviewed and revised their Public Education Program, both as required by the Pipeline Safety Improvement Act of 2002.

Additional proposals that might affect the natural gas pipeline industry are considered from time to time by Congress, FERC, the DOT, other Federal agencies, state regulatory bodies, and the courts. CrossCountry cannot predict when or if any new proposals might be implemented or, if so, how CrossCountry's Pipeline Businesses might be impacted.

a. Transwestern. In January 2002, FERC initiated an audit of Transwestern's compliance with FERC's accounting and reporting requirements and regulations, including requirements and regulations relating to cash management practices. It is currently not known what further information, if any, will be requested in connection with such audit or what the ultimate conclusions or results of such audit will be.

On July 27, 1995 and on October 16, 1996, respectively, FERC approved Transwestern's 1995 Global Settlement and 1996 Mini-Settlement (Docket Nos. RP95-271, et al.) resolving all issues related to Southern California Gas's turnback of capacity, all outstanding issues in the Transwestern's Order 636 restructuring proceeding, its pending certificate proceedings relating to the abandonment of gathering facilities and other rate proceedings. The Global and Mini-Settlements established rates applicable to seven shippers (or their successors) specified as Current Firm Customers in Transwestern's tariff. The rates applicable to the Current Firm Customers were originally lower than the maximum tariff rates applicable to other customers, but escalate each year based on inflation, with a minimum annual increase of 2% and a maximum annual increase of 5%. The Global Settlement also provided that, effective November 1, 2001, Transwestern would be at risk for recovery of all costs assigned to unsubscribed capacity.

Transwestern has completed its transition under Order No. 636, unbundling its transportation services and eliminating its sales service obligation as required by Order 636. Transwestern's tariff formula was designed to recover a cost of service that would reflect an 11.50% return on equity with a pre-tax return of 14.65%. These returns were part of Transwestern's 1994 rate case settlement.

In Order No. 637, FERC made changes to its current regulatory model to enhance the effectiveness and efficiency of gas markets as they have evolved since Order No. 636. On August 17, 2000, and again on December 21, 2002, Transwestern filed changes to its tariff to comply with Order No. 637. In an order issued October 10, 2002, FERC found that Transwestern had generally complied with Order No. 637 and required Transwestern to file tariff sheets in compliance with the October 10, 2002 Order. On November 12, 2002, Transwestern made its filing in compliance with the October 10, 2002 Order. The compliance filing was accepted by a FERC order issued on December 30, 2002 with tariff sheets effective January 1, 2003.

In February 2001, Transwestern filed negotiated rate transactions in Docket Nos. RP97-288-009, 010, 011 and 012 with Sempra Energy Trading and Richardson Products Company containing index based rates. On March 2, 2001, FERC issued an order accepting Transwestern's negotiated rates transactions in the above-referenced proceedings, subject to refund and subject to a further FERC order on the merits. On July 26, 2001, FERC issued an order setting these proceedings for an expedited hearing, which was held on August 29, 2001. Based on the testimony and other evidence presented at the hearing, the presiding administrative law judge issued findings of fact and law favorable to Transwestern. Subsequent to the filing of these negotiated rate transactions, Transwestern filed additional negotiated rate transactions in other dockets. FERC also accepted those transactions, subject to refund and subject to the outcome of the proceedings in Docket Nos. RP97-288-009, 010, 011 and 012. On July 17, 2002, FERC issued an order that rejected the findings of the administrative law judge and that required Transwestern to refund the amounts by which the negotiated rate transactions with Sempra Energy Trading and Richardson Products Company exceeded Transwestern's applicable maximum tariff rates. In the order, FERC states that Transwestern violated the terms of its FERC gas tariff and its website. The focus of the order was Transwestern's pricing of transportation service based on differentials in commodity price indices. FERC precluded Transwestern from entering into new contracts priced on that basis for a one-year period, which expired July 17, 2003. Transwestern subsequently negotiated with its customers a settlement of all pending negotiated rate proceedings with the exception of the rate proceedings in connection with the Red Rock expansion project. This settlement has been approved by FERC and Transwestern made the refunds of approximately $9.9 million (including interest of $1.1 million), required by the settlement on March 14, 2003.

The Red Rock expansion contracts provide for a one part fixed demand rate that is not tied to differentials in commodity price indices. Although the Red Rock expansion contracts do not involve index-based pricing, they do provide for pricing in excess of Transwestern's maximum rates. If FERC changes its current policy permitting such pricing, Transwestern may be required to modify the rates payable under those agreements and make refunds of amounts already collected in excess of maximum tariff rates.

On March 29, 2001, Transwestern filed with FERC a Section 7(b)/7(c) application for Transwestern's Red Rock expansion requesting permission and approval to: (1) abandon in-place existing units totaling 49,500 hp at Transwestern's pipeline Stations 1, 2, 3, and 4, and (2) install a 41,500 hp unit at each station, resulting in approximately 150,000 MMBtu/d of incremental firm capacity from Thoreau, New Mexico to the California border. Transwestern received a FERC order dated July 16, 2001 approving its application request, and commenced construction on December 26, 2001. On November 26, 2001, Transwestern filed a request with FERC to extend the construction completion date for Station 4 to July 16, 2003. Transwestern does not anticipate that it will place Station 4 in-service under this authorization. The Red Rock expansion was placed in-service on June 15, 2002.

On August 1, 2002, FERC issued an Order to Respond in Docket No. IN02-6-000. The August 1, 2002 Order required Transwestern to provide, within 30 days of the date of the August 1, 2002 Order, written responses stating why FERC should not find that Transwestern: (1) violated FERC's Uniform System of Accounts by failing to maintain written cash management agreements with their parent company; (2) acted imprudently in entering into certain secured loan arrangements; and (3) should be prohibited from passing costs arising from such loans and arrangements on to ratepayers in future rate proceedings before FERC. On September 3, 2002, Transwestern filed a written response with FERC. On October 31, 2002, FERC issued an Order Approving Stipulation and Consent Agreement approving a Stipulation and Consent Agreement between FERC's Chief Accountant, Division of Enforcement and Investigations, Office of Market Oversight and Investigations, and Transwestern. The stipulation provides, among other things, that: (a) Transwestern will comply with the final rule regarding written cash management practices resulting from FERC's NOPR, Regulation of Cash Management Practices, in Docket No. RM02-14-000 issued August 1, 2002; (b) Transwestern will not include the costs associated with the $550 million loan entered into by Transwestern on November 13, 2001 in any future rate proceedings before FERC; and (c) FERC reserves the right to determine, in any future proceeding under Section 4 of the Natural Gas Act, whether the costs associated with any future refinancing of the $550 million loan entered into by Transwestern on November 13, 2001 are just and reasonable.

On November 21, 2002, the "Indicated Shippers" filed a request for clarification and/or rehearing of the October 31, 2002 Order. The Indicated Shippers contend that language in the October 31, 2002 Order is inconsistent with the terms of the stipulation. Specifically, the Indicated Shippers argue that certain language in the October 31, 2002 Order would preclude Transwestern from passing through to its rate payers the costs of any refinancing or replacement of the original $550 million loan, while the stipulation itself contains no such prohibition. On December 2, 2002, Transwestern filed a response to the Indicated Shippers' pleading, which sets forth Transwestern's arguments that there is no such inconsistency, and, alternatively, if such an inconsistency does exist, it must be resolved in favor of the language in the stipulation. FERC has not yet acted on either the Indicated Shippers' request for clarification and/or rehearing or Transwestern's response to such request.

Transwestern has entered into compression services agreements with ECS, a non-Debtor ENE affiliate, and continues to perform under the terms of such agreements. The agreements require Transwestern to pay ECS a compression service charge in cash and in volumes of natural gas to provide electric horsepower capacity and related horsepower hours to be used to operate the Bisti, Bloomfield, and Gallup electric compressor stations located in New Mexico. ECS is required to pay Transwestern a monthly operating and maintenance fee to operate and maintain the facilities. On March 26, 2003, FERC issued a show cause order to ECS that requires ECS to demonstrate why it did not violate the terms of its blanket natural gas marketing authorization from FERC when ECS allegedly engaged in certain transactions on the EnronOnline® electronic trading platform. If ECS fails to demonstrate that it did not violate the terms of such authorization, this could have a material impact on ECS's ability to perform under its compression services agreements with Transwestern, since a significant portion of the consideration that Transwestern pays to ECS under such agreements is in the form of natural gas that is delivered to ECS and that ECS resells to third parties under such FERC authorization. On June 25, 2003, FERC issued an order that revoked ECS's blanket authorization. However, this order also provided ECS limited authorization for the sole use of marketing gas entitlements accrued under ECS's existing compression services agreements, which include the agreements ECS has entered into with Transwestern.

Under the terms of Transwestern's 1995 Global Settlement and 1996 Mini-Settlement discussed above, Transwestern is required to file a rate case with FERC to become effective no later than November 2006. Refer to Section XIV.H.1.c., "FERC Imposed Tariff Adjustments" for further information about the risks inherent in FERC rate reviews.

b. Citrus. In a series of orders issued in 1993, FERC approved Florida Gas's FERC Gas Tariff, Third Revised Volume No. 1, pursuant to which Florida Gas implemented the provisions of FERC Order No. 636 on November 1, 1993. The Order No. 636 tariff provided for unbundled firm and interruptible transportation services in Florida Gas's Western Division (Texas, Louisiana, Mississippi and Alabama) and Florida Gas's Market Area (Florida) and implemented the SFV rate design required by Order 636.

Florida Gas is currently subject to an audit by FERC of Florida Gas's compliance with FERC's accounting and reporting requirements and regulations, including, without limitation, requirements and regulations relating to cash management practices. FERC has submitted numerous data requests as part of that audit, and Florida Gas has responded to each of those data requests. It is currently not known whether the audit has been completed or what further information, if any, may be requested in connection with such audit or what the ultimate conclusions or results of such audit will be.

On March 1, 1995, Florida Gas placed into service its Phase III Expansion, which increased Florida Gas's market area capacity by approximately 530 BBtu/d to a total of approximately 1.4 TBtu/d. Because the cost of the much needed expansion, if rolled into existing rates, would have resulted in a rate increase to existing customers disproportionate to benefits they received, firm market area transportation service through the additional capacity is provided pursuant to an incrementally priced rate schedule, FTS-2. Florida Gas maintains separate accounting records and establishes separate maximum tariff rates for service through the capacity existing prior to the Phase III Expansion and for service through the capacity created by the Phase III Expansion and subsequent expansions.

Florida Gas currently offers firm and interruptible transportation service in its Western Division under Rate Schedules FTS-WD and ITS-WD, respectively. Florida Gas offers firm transportation service into its Market Area under Existing System Rate Schedules SFTS (for certain small customers) and FTS-1, and under Incremental System Rate Schedule FTS-2. In addition, Florida Gas offers market area interruptible transportation under Rate Schedule ITS-1. Florida Gas also offers a system-wide balancing service, when operating conditions permit, under Rate Schedule PNR.

Florida Gas's currently effective maximum tariff rates were established pursuant to the settlement of Florida Gas's Natural Gas Act Section 4 rate case filed in Docket No. RP96-366. Customers receiving service under Rate Schedule FTS-2, however, are being charged rates that currently are less than the maximum tariff rates applicable to Rate Schedule FTS-2 as a result of a discount agreed to in the settlement reached in Florida Gas's Phase IV Expansion proceeding and provisions in FERC orders in subsequent expansion proceedings. Pursuant to the rate case settlement and the Phase IV Settlement, Florida Gas must file a Natural Gas Act Section 4 rate case on or before October 1, 2003. Refer to Section XIV.H.1.c., "FERC Imposed Tariff Adjustments" for further information about the risks inherent in FERC rate reviews.

On December 1, 1998, Florida Gas filed a Natural Gas Act Section 7 certificate application with FERC in Docket No. CP99-94-000 to construct 205 miles of pipeline in order to extend the pipeline to Ft. Myers, Florida and to expand capacity by approximately 272,000 MMBtu/d (Phase IV Expansion). Expansion costs were estimated at $351 million. Florida Gas requested that expansion costs be rolled into the rates applicable to FTS-2 (Incremental Expansion) service. On June 2, 1999, Florida Gas filed a Stipulation and Agreement (Phase IV Settlement) which resolved all non-environmental issues raised in the certificate proceeding and modified the Rate Case Settlement to provide that Florida Gas cannot file a general rate case to increase its base tariff rates prior to October 1, 2001 (except in certain limited circumstances), and must file no later than October 1, 2003. The Phase IV Settlement was approved by FERC by order issued July 30, 1999, and became effective thirty days after the date that Florida Gas accepted an order issued by FERC approving the Phase IV Expansion project.

On August 23, 1999, Florida Gas amended its application on file with FERC to eliminate a portion of the proposed facilities (that would be delayed until the Phase V Expansion). The amended application reflected the construction of 139.5 miles of pipeline and an expansion of capacity in order to provide incremental firm service of approximately 196,405 MMBtu on an average annual day, with estimated project costs of $262 million. The Phase IV Expansion was approved by a FERC order issued February 28, 2000, and accepted by Florida Gas on March 29, 2000. The Phase IV Expansion was placed in service on May 1, 2001. Total costs through December 31, 2002 were $244 million.

On December 1, 1999 Florida Gas filed a Natural Gas Act Section 7 certificate application with FERC in Docket No. CP00-40-000 to construct 215 miles of pipeline and 90,000 hp of compression and to acquire an undivided interest in the existing Mobile Bay Lateral owned by Koch Gateway Pipeline Company (now Gulf South Pipeline Company, LP), in order to expand the system capacity to provide incremental firm service to several new and existing customers of approximately 270,000 MMBtu on an average annual day (Phase V Expansion). Expansion and acquisition costs were estimated at $437 million. Florida Gas requested that expansion costs be rolled into the rates applicable to FTS-2 (Incremental Expansion) service. On August 1, 2000 and September 29, 2000, Florida Gas amended its application on file with FERC to reflect the withdrawal of two customers, the addition of a new customer and to modify the facilities to be constructed. The amended application reflected the construction of 167 miles of pipeline and 133,000 hp of compression to create additional capacity to provide approximately 306 MMBtu/d of incremental firm service. The estimated cost of the revised project was $462 million. The Phase V Expansion was approved by FERC order issued July 27, 2001, and accepted by Florida Gas on August 7, 2001. Portions of the project were placed in service from December 2001 through December 2002, with the remainder of the Phase V Expansion placed in service in April 2003. Total costs through May 2003 were $408 million.

On November 15, 2001, Florida Gas filed a Natural Gas Act Section 7 certificate application with FERC in Docket No. CP02-27-000 to construct 33 miles of pipeline and 18,600 hp of compression in order to expand the system to provide incremental firm service to several new and existing customers of approximately 85,000 MMBtu on an average annual day. Expansion costs are estimated at $105 million. Florida Gas requested the expansion costs be rolled into rates applicable to FTS-2 service. The application was approved by FERC order issued on June 13, 2002, and accepted by Florida Gas on July 19, 2002. Clarification was granted and a rehearing request of a landowner was denied by FERC Order of September 3, 2002. Construction is underway, and the first phase of the Phase VI Expansion was placed in-service on June 1, 2003. The remainder of the Phase VI Expansion is anticipated to be placed fully in service on schedule by November 2003.

By order on rehearing issued February 26, 2003, in Florida Gas's Order No. 637 compliance, FERC determined that Florida Gas must revise its tariff to afford within-the-path alternate nominations (which provide shippers the option to ship their gas to a more distant point at no incremental charge) a higher scheduling priority, but allowed Florida Gas to delay such filing until it files its Natural Gas Act Section 4 Rate Case, which must be filed on or before October 1, 2003. The February 26 Order also required Florida Gas to file tariff revisions within fifteen days to permit shippers to release capacity outside of the shippers' primary capacity paths.

On March 6, 2003, Florida Gas filed a motion for extension of time requesting that Florida Gas be allowed to delay the tariff filing until its next Natural Gas Act Section 4 rate case so that these changes, as well as the within-the-path scheduling priorities, could be considered in the overall context of cost allocation and rate design. FERC granted the request on March 18, 2003. Rehearing of the February 26 Order was sought on one issue and is pending. Florida Gas and several customers have filed petitions with the D.C. Circuit Court for review of these Order No. 637 compliance orders, docketed as City of Tallahassee, et al. v. FERC, No. 03-1116, et al. In addition, clarification of such order was also requested by a Florida Gas customer, and such request is pending.

On March 26, 2003, FERC issued an order in Docket No. RP03-311, requiring Citrus Trading to show cause as to why its blanket sales certificate should not be revoked, referring vaguely to price manipulation allegations (relating to 2000-2001 California market transactions and certain trading activities on July 19, 2001 that occurred on EnronOnline®, as contained in a FERC staff report that does not mention Citrus Trading). Citrus Trading filed its response on April 16, 2003, and, among other things, argued that the FERC order violates due process, because no specific allegations are made against Citrus Trading, and since Citrus Trading has never sold gas into the California market nor has it ever made trades on EnronOnline®. Citrus Trading has requested that it be dismissed from the show cause proceeding. By order issued June 25, 2003, FERC dismissed Citrus Trading from the proceeding, taking no action against it.

c. Northern Plains. Approximately 98% of the agreed upon cost of service for Northern Border Partners' interstate pipelines is attributed to demand charges. The remaining 2% is attributed to commodity charges based on the volumes of gas actually transported. Under the terms of settlement in Northern Border Pipeline's 1999 rate case, neither Northern Border Pipeline nor its existing shippers can seek rate changes until November 1, 2005, at which time Northern Border Pipeline must file a new rate case. Midwestern and Viking are under no obligation to file new rate cases, but may do so at their discretion if they decide to seek a rate increase. Prior to a future rate case, Northern Border Partners' pipelines will not be permitted to increase rates if costs increase, nor will they be required to reduce rates based on cost savings. As a result, these businesses' earnings and cash flow will depend on future costs, contracted capacity, the volumes of gas transported, and their ability to recontract capacity at acceptable rates.

Until new transportation rates are approved by FERC, Northern Border Partners' pipelines continue to depreciate their transmission plants at FERC-approved depreciation rates. For Northern Border Partners' pipelines, the annual depreciation rates on transmission plants in service are 2.25% for Northern Border Pipeline, 1.9% for Midwestern, and 2.0% for Viking. In order to avoid a decline in the transportation rates established in future rate cases as a result of accumulated depreciation, the interstate pipeline must maintain or increase its rate base by acquiring or constructing assets that replace or add to existing pipeline facilities or by adding new facilities.

In Northern Border Pipeline's 1995 rate case, FERC addressed the issue of whether the federal income tax allowance included in Northern Border Pipeline's proposed cost of service was reasonable in light of previous FERC rulings. In those rulings, FERC held that an interstate pipeline is not entitled to a tax allowance for income attributable to limited partnership interests held by individuals. The settlement of Northern Border Pipeline's 1995 rate case provided that, until at least December 2005, Northern Border Pipeline could continue to calculate the allowance for income taxes in the manner it had historically used. In addition, a settlement adjustment mechanism was implemented, which effectively reduces the return on rate base. These provisions of the 1995 rate case were maintained in the settlement of Northern Border Pipeline's 1999 rate case.

Northern Border Partners' pipelines also provide interruptible transportation service. The maximum rate that may be charged to interruptible shippers is calculated as the sum of the firm transportation maximum reservation charge and commodity rate. Under its tariff, Northern Border Pipeline shares net interruptible transportation service revenue and any new services revenue on an equal basis with its firm shippers through October 31, 2003. However, Northern Border Pipeline is permitted to retain revenue from interruptible transportation service to offset any decontracted firm capacity. Neither Midwestern nor Viking share revenue from interruptible transportation service with firm shippers.

From time to time, Northern Border Partners' pipelines file to make changes to their respective tariffs to clarify provisions, to reflect current industry practices, and to reflect recent FERC rulings. In February 2003, Northern Border Pipeline filed to amend the definition of company use gas, which is gas supplied by its shippers for its operations, to clarify the language by adding detail to the broad categories that comprise company use gas. Relying upon the currently effective version of the tariff, Northern Border Pipeline included in its collection of company use gas quantities that were equivalent to the cost of electric power at its electric-driven compressor stations during the period of June 2001 through January 2003. On March 27, 2003, FERC issued an order rejecting Northern Border Pipeline's proposed tariff revision and requiring refunds with interest within 90 days of the order. The refund with interest of approximately $10.3 million was made in May 2003.

Northern Border Pipeline is required to file a rate case with the FERC to be effective no later than May 2006. Refer to Section XIV.H.1.c., "FERC Imposed Tariff Adjustments" for further information.

7. Environmental Regulation

The operations of the Pipeline Businesses are subject to complex federal, state and local laws and regulations relating to the protection of health and the environment, including laws and regulations that govern the handling and release of natural gas and liquid hydrocarbon materials. As with the petroleum and natural gas industry in general, complying with current and anticipated environmental laws and regulations increases the Pipeline Businesses' overall cost of doing business, including the Pipeline Businesses' capital costs to construct, maintain, and upgrade equipment and facilities. While these laws and regulations affect the Pipeline Businesses' maintenance capital expenditures and net income, CrossCountry believes that they do not affect the Pipeline Businesses' competitive position because the operations of their competitors are similarly impacted.

Violations of environmental laws or regulations can result in additional costs arising from correcting non-complying conditions or the imposition of significant administrative, civil or criminal fines or penalties and, in some instances, injunctions banning or delaying certain activities. The Pipeline Businesses have ongoing programs designed to keep their facilities in compliance with pipeline safety and environmental requirements. Although CrossCountry believes that the Pipeline Businesses' operations and facilities are in general compliance in all material respects with applicable environmental and safety regulations, risks of substantial costs and liabilities are inherent in pipeline and gas processing operations, and CrossCountry cannot provide any assurances that they will not incur such costs and liabilities. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the Pipeline Businesses' operations, could result in substantial costs and liabilities. If the Pipeline Businesses are unable to recover such resulting costs, earnings and cash distributions could be adversely affected.

There are also risks of accidental releases into the environment associated with the Pipeline Businesses' operations, such as leaks of natural gas from the pipelines. Such accidental releases by the pipelines could, to the extent not insured, subject CrossCountry or the Pipeline Businesses to potential liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners or other third parties for personal injury or property damage, and fines or penalties for any related violations of environmental laws or regulations.

In addition, processing plants and gathering facilities owned by Northern Border Partners are subject to Canadian national, provincial, and local laws and regulations relating to safety and the protection of the environment, which include the following Alberta laws: the Energy Resources Conservation Act, the Oil and Gas Conservation Act, the Pipeline Act, and the Environmental Protection and Enhancement Act.

Transwestern incurred, and continues to incur, certain costs related to PCBs including costs related to migration of PCBs into certain customers' facilities. These PCBs were originally introduced into the Transwestern system through use of a PCB-based lubricant in the late 1960s and early 1970s. Costs of these remedial activities for 2002 and 2001 were $2.8 million and $0.5 million, respectively. Costs are estimated to be $1.0 million in 2003. Costs for managing PCBs on the Transwestern system for the same periods are generally less than $0.1 million annually.

The State of New Mexico Environment Department on June 12, 2001 issued an Administrative Compliance Order Assessing a Civil Penalty (Action No. AQCA-01-20) with a proposed penalty to Transwestern in the amount of $160,000 for alleged violations of New Mexico air quality regulations associated with an alleged turbine change without a permit modification at the Transwestern Pipeline P-1 compressor station in Roosevelt County, New Mexico. Transwestern is contesting the matter and a hearing is set for October 16, 2003.

8. Litigation, Regulatory Proceedings and Investigations

Current and future litigation, regulatory proceedings and governmental audits and investigations could, individually or in the aggregate, have a material and adverse impact on CrossCountry. Refer to Sections IV.C., "Litigation and Government Investigations", IX.A.6., "Regulatory Environment", and IX.D., "Legal Proceedings" for further information on current litigation, regulatory proceedings and governmental investigations that involve or may involve CrossCountry and its subsidiaries and affiliates.

B. Properties

1. General

CrossCountry intends to sublease office space from ENE for its executive offices at 4 Houston Center in Houston, Texas.

The real property of the Transwestern, Florida Gas, and Northern Border Partners pipeline systems fall into two basic categories: (a) parcels that are owned in fee, such as sites for compressor stations, meter stations, pipeline field offices, and communication towers; and (b) parcels where the interest derives from leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such land for the construction and operation of the pipeline systems. The majority of the property rights are classified in the latter category. The rights to construct and operate the pipeline systems across certain properties were obtained through exercise of the power of eminent domain. Transwestern's, Florida Gas's, and Northern Border Partners' interstate pipeline systems continue to have the power of eminent domain in each of the states in which they operate. However, a portion of their pipelines and associated facilities are located on Native American lands held in trust by the DOI and administered by the Bureau of Indian Affairs. The Pipeline Businesses may not have the power of eminent domain with respect to Native American tribal lands. CrossCountry cannot assure that it will continue to have access to rights-of-way on tribal lands upon expiration of existing right-of-way grants or that it will be able to obtain new rights-of-way on tribal lands upon the expiration of such grants. Refer to Section XIV.H.1.h., "Continued Access to Tribal Lands" for further information.

CrossCountry believes that the Pipeline Businesses have satisfactory title to or the right to use all of the assets needed to operate their pipeline systems. Although title or other rights to certain properties are subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens that can be imposed in some jurisdictions for government-initiated action to clean up environmental contamination, liens for current taxes and other burdens, and easements, restrictions and other encumbrances to which the underlying properties were subject at the time of contribution to CrossCountry, CrossCountry believes that none of these burdens should materially detract from the value of the Pipeline Businesses or from its interest in them, and none should materially interfere with its use in the operation of the Pipeline Businesses.

2. Transwestern

Transwestern holds the right, title and interest to its pipeline system. Approximately 958 acres of Transwestern's property are held in fee, which consist of compressor stations, meter stations, radio towers, warehouses, and pipeline fee strips granted in lieu of rights-of-way. The majority of Transwestern's pipeline system is constructed on rights-of-way granted by the apparent record owners of the property or leases or permits from governmental authorities such as the Bureau of Land Management, the National Forest Service, and the State of Arizona. Several rights-of-way for Transwestern's pipelines and other real property assets are shared with other pipelines and other assets owned by third parties. The owners of the other pipelines may not have commenced or concluded eminent domain proceedings for some rights-of-way. In some instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. Transwestern has obtained permits from public authorities to cross over or under, or to lay facilities in or along, water courses, county roads, municipal streets and state highways, and in some instances, these permits are revocable at the election of the grantor. Transwestern has also obtained permits from railroad companies to cross-over or under lands or rights-of-way, many of which are also revocable at the grantor's election. Transwestern has the right of eminent domain to acquire the rights-of-way and lands necessary for Transwestern's pipeline system and has used this power in order to acquire certain of the real property interests necessary for its pipeline system.

On November 13, 2001, Transwestern entered into a credit agreement with Citicorp North America, Inc., as Paying Agent, and Citicorp North America, Inc. and JPMCB, as Co-Administrative Agents, pursuant to which Transwestern granted a first-priority security interest in all of the property of Transwestern to the paying agent.

A portion of the Transwestern pipeline system and related facilities are located on Native American lands, including on those of the Navajo Nation, Pueblo of Laguna, Southern Ute Indian Tribe, and Fort Mojave Indian Reservations. Tribal lands are lands held in trust by the United States for the benefit of a specific Indian tribe. Allotted lands are lands held in trust by the United States for individual Native Americans or their heirs. Transwestern has the right of eminent domain with respect to allotted lands. In 1959, Transwestern was granted two compressor station leases on Navajo Nation tribal lands by the DOI. These leases, which had primary terms of 25 years and optional additional 25-year terms, will expire in 2009. In 2001 Transwestern was granted an extension for various right-of-way grants by the DOI for approximately 347 miles of pipeline on Navajo tribal lands. This extension expires in 2009. Transwestern has filed an application for the renewal of a grant of right-of-way for 20 years of approximately 44 miles across allotted lands on the Navajo Nation. The current right-of-way grants on allotted lands will expire on December 31, 2003 or April 14, 2009.

In 2001, Transwestern was granted a renewal of a right-of-way for a compressor station and approximately 31 miles of Pueblo of Laguna tribal lands by the DOI. This renewal will expire in 2022. Transwestern is in the process of negotiating a renewal or obtaining an easement pursuant to eminent domain proceedings of approximately one mile of pipeline right-of-way across Pueblo of Laguna allotted lands that expired on December 29, 2002.

In 1999, Transwestern was granted a renewal of a right-of-way for approximately three miles of tribal lands on the Fort Mojave reservation by the DOI. This renewal will expire in 2019.

In 1990, a predecessor in interest to Transwestern, Northwest, was granted a right-of-way across approximately seven miles of Southern Ute tribal lands by the DOI. This right-of-way expires in September 2005. By letter dated May 27, 2003, representatives for the Southern Ute tribe notified Transwestern that the Southern Ute's Tribe's 1996 resolution, which had approved partial assignment of Northwest's interest in the grant of right-of-way, had been revoked in a May 19, 2003 resolution. By letter dated September 2, 2003, representatives for the Southern Ute tribe stated that Transwestern's failure to file an application to obtain the Southern Ute Tribal Council's approval of the transfer of the interest in the right-of-way from Northwest by September 15, 2003 would result in legal action. Transwestern representatives have contacted the representatives for the Southern Ute tribe concerning the matter and further discussions are scheduled. An application by Transwestern for approval of the assignment of this interest from Northwest has been in the possession of the DOI since 1999 with no action taken. Neither the 1990 grant of right-of-way nor the 1990 tribal resolution that reflected tribal consent for the 1990 grant of right-of-way provide that consent of the Southern Ute's Tribe or the DOI is required for an assignment of an interest in the 1990 grant or right-of-way. Further, the 1948 General Right-of-Way Act, which authorized the 1990 grant of right-of-way, and the DOI regulations issued under that Act, do not require tribal or DOI consent or approval of assignments of rights-of-way. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for further information.

CrossCountry cannot assure that it will continue to have access to rights-of-way on tribal lands upon expiration of existing right-of-way grants or that it will be able to obtain new rights-of-way on tribal lands upon the expiration of such grants. Refer to Section XIV.H.1.h., "Continued Access to Tribal Lands" for further information.

3. Citrus

None of Citrus, Citrus Trading, or Citrus Energy Services have any significant tangible properties.

Florida Gas holds the right, title, and interest to its pipeline system. Approximately 948 acres of Florida Gas's property are held in fee which consist of compressor stations, meter stations, radio towers, warehouses, and fee strips granted in lieu of rights-of-way. Substantially all of Florida Gas's pipeline system is constructed on rights-of-way granted by the apparent record owners of the property or leases or permits from governmental authorities such as the Texas General Land Office, the United States Forest Service, and the Mineral Management Services. Several rights-of-way for Florida Gas's pipeline system and other real property assets are shared with other pipelines and other assets owned by third-parties. The owners of the other pipelines may not have commenced or concluded eminent domain proceedings for some rights-of-way. In some instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. Florida Gas has obtained permits from public authorities to cross over or under, or to lay facilities in or along, water courses, county roads, municipal streets, and state highways, and in some instances, these permits are revocable at the election of the grantor. Florida Gas has also obtained permits from railroad companies to cross-over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. Florida Gas has the right of eminent domain to acquire the rights-of-way and lands necessary for its pipelines and has used this power in order to acquire certain of the real property interests it owns.

The FTA is planning for several turnpike widening projects, which may over the next ten years impact one or more of Florida Gas's mainlines co-located in the FTA's right-of-way. The most immediate projects are five Sunshine State Parkway projects, which are proposed to overlap Florida Gas's pipelines, for a total of approximately 25 miles. Under certain conditions, the existing agreement between Florida Gas and the FTA calls for the FTA to pay for any new right-of-way needed for the relocation projects and for Florida Gas to pay for construction costs. The actual amount of miles of pipe to be impacted ultimately, and the relocation cost and/or right-of-way cost, recoverable through rates, is undefined at this time due to the preliminary stage of FTA's planning process.

4. Northern Plains

Northern Plains does not hold the right, title, and interest in any tangible properties.

Northern Border Pipeline, Midwestern, and Viking hold the right, title and interest in their pipeline systems. Approximately 90 miles of Northern Border Pipeline's pipeline system are located on fee, allotted, and tribal lands within the exterior boundaries of the Fort Peck Indian Reservation in Montana. Tribal lands are lands owned in trust by the United States for the Fort Peck Tribes and allotted lands are lands owned in trust by the United States for an individual Indian or Indians. Northern Border Pipeline has the right of eminent domain with respect to allotted lands.

In 1980, Northern Border Pipeline entered into a pipeline right-of-way lease with the Fort Peck Tribal Executive Board, for and on behalf of the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation. This pipeline right-of-way lease, which was approved by the DOI in 1981, granted to Northern Border Pipeline the right and privilege to construct and operate its pipeline on certain tribal lands. This pipeline right-of-way lease expires in 2011. Northern Border Pipeline also obtained a right-of-way across allotted lands located within the reservation boundaries. Most of the allotted lands are subject to a perpetual easement either granted by the Bureau of Indian Affairs for and on behalf of individual Indian owners or obtained through condemnation. Several tracts are subject to a right-of-way grant that has a term of fifteen years, expiring in 2015.

Bear Paw Energy L.L.C., Border Midstream Services Ltd., and Crestone Energy Ventures, through its membership interest in Bighorn Gas Gathering, L.L.C., Lost Creek Gathering Company, L.L.C., and Fort Union Gas Gathering, L.L.C. hold the right, title, and interest in their gathering and processing facilities, which consist of low and high pressure gas gathering lines, compression and measurement installations and treating, processing and fractionation facilities. The real property rights for these facilities are derived through fee ownership, leases, easements, rights-of-way, and permits.

Black Mesa holds title to its pipeline and pump stations. The real property rights for Black Mesa facilities are derived through fee ownership, leases, easements, rights-of-way and permits. Black Mesa holds rights-of-way grants from private landowners as well as the Navajo Nation and the Hopi Tribe. These rights-of-way grants extend for terms at least through December 31, 2005, the date that Black Mesa's transportation contract with Peabody Western Coal is presently scheduled to end.

C. Historical Financials, Projections and Valuation

1. Historical Financials

Refer to Appendix I: "CrossCountry Historical Financials" for historical financial information on Citrus and Transwestern and references to Northern Border Partners' historical financial information filed with the SEC.

2. Projections

In conjunction with formulating the Plan, as set forth on Appendix J: "CrossCountry Financial Projections – 2003-2006", financial projections have been prepared for CrossCountry for the four years ending December 31, 2006. The projections for the fiscal year ended December 31, 2003, include unaudited actual results through June 30, 2003. The projections are based on a number of assumptions made with respect to the future operations and performance of CrossCountry and should be reviewed in conjunction with a review of the principal assumptions set forth on Appendix J: "CrossCountry Financial Projections – 2003-2006". While the projections were prepared in good faith and the Debtors believe the assumptions, when considered on an overall basis, to be reasonable in light of the current circumstances, it is important to note that the Debtors can provide no assurance that such assumptions will be realized and Creditors must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect CrossCountry's financial results.

3. Valuation

Also, in conjunction with formulating the Plan, the Debtors determined that it was necessary to estimate the post-confirmation equity value of CrossCountry. Accordingly, Blackstone and the Debtors formulated such a valuation, which is utilized in the Blackstone model. Such valuation is based, in part, on the financial projections prepared by CrossCountry management and included in Appendix J: "CrossCountry Financial Projections – 2003-2006". This valuation analysis was used, in part, for the purpose of determining the value of

CrossCountry to be distributed to Creditors pursuant to the Plan and to analyze the relative recoveries to Creditors under the Plan.

a. Estimated Value. Based upon the methodology described below, the Blackstone Model utilizes an estimated equity value of $1.490 billion, as the mid-point within a valuation range of 1.409 billion to 1.571 billion for CrossCountry at December 31, 2003. Therefore, assuming 75 million shares of new CrossCountry Common Stock will be issued and distributed to or on behalf of Creditors pursuant to the Plan, the value of such stock is estimated to range from $18.79 to $20.95 per share. The estimated value is based upon a variety of assumptions, as referenced below under "Variances and Risks," deemed appropriate under the circumstances. The estimated value per share of the CrossCountry Common Stock may not be indicative of the price at which the CrossCountry Common Stock will trade when and if a market for the CrossCountry Common Stock develops, which price could be lower or higher than the estimated value of the CrossCountry Common Stock. Accordingly, there can be no assurance that the CrossCountry Common Stock will subsequently be purchased or sold at prices comparable to the estimated values set forth above. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect CrossCountry's financial results.

b. Methodology. Two methodologies were used to derive the value of CrossCountry based on the financial projections attached as Appendix J: "CrossCountry Financial Projections – 2003-2006": (i) a comparison of CrossCountry and its projected performance to comparable companies and how the market values them, and (ii) a comparison of CrossCountry and its projected performance to comparable companies in precedent transactions.

The market-based approach involves identifying a group of publicly traded companies whose businesses are comparable to those of CrossCountry or significant portions of CrossCountry's operations, and then calculating ratios of various financial results to the public market values of these companies. The ranges of ratios derived are applied to the CrossCountry projections to arrive at a range of implied values. Similarly, the comparable transaction approach involves calculating various financial ratios based on the prices paid for companies in similar lines of business as CrossCountry, and applying these ratios to the CrossCountry projections to arrive at a range of values.

4. Variances and Risks. Refer to Section XIV.C., "Variance from Valuations, Estimates and Projections" for a discussion regarding the potential for variance from the projections and valuation described above and Section XIV., "Risk Factors and Other Factors to be Considered" in general for a discussion of risks associated with CrossCountry.

ESTIMATES OF VALUE DO NOT PURPORT TO BE APPRAISALS NOR DO THEY NECESSARILY REFLECT THE VALUES THAT MAY BE REALIZED IF ASSETS ARE SOLD. THE ESTIMATES OF VALUE REPRESENT HYPOTHETICAL EQUITY VALUES ASSUMING THE IMPLEMENTATION OF CROSSCOUNTRY'S BUSINESS PLAN AS WELL AS OTHER SIGNIFICANT ASSUMPTIONS. SUCH ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF FORMULATING AND NEGOTIATING A CHAPTER 11 PLAN FOR THE DEBTORS AND ANALYZING THE PROJECTED RECOVERIES THEREUNDER. THE ESTIMATED EQUITY VALUE IS HIGHLY

DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS SET FORTH IN THE PROJECTIONS AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS THAT ARE NOT GUARANTEED.

THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE MARKET VALUE OF CROSSCOUNTRY STOCK DISTRIBUTED PURSUANT TO A CHAPTER 11 PLAN. SUCH TRADING VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE EQUITY VALUE RANGES ASSOCIATED WITH THE VALUATION ANALYSIS.

ADDITIONALLY, THE VALUES SET FORTH HEREIN ASSUME CERTAIN LEVELS OF RATES FOR THE TRANSPORTATION OF NATURAL GAS AS SET BY FERC. SUCH RATES ARE HIGHLY REGULATED AND SUBJECT TO PERIODIC CHANGES. THERE IS NO GUARANTEE THAT THE CURRENT RATE LEVELS WILL NOT CHANGE MATERIALLY IN THE FUTURE OR WILL PROVIDE ADEQUATE REIMBURSEMENT FOR THE SERVICES PROVIDED BY CROSSCOUNTRY. ANY SUCH CHANGES ARE ENTIRELY BEYOND CROSSCOUNTRY'S CONTROL AND MAY HAVE A MATERIAL ADVERSE IMPACT ON ACTUAL RESULTS. FURTHER, CROSSCOUNTRY OPERATES IN A HEAVILY GOVERNMENT REGULATED INDUSTRY. IN THE ORDINARY COURSE OF ITS BUSINESS, CROSSCOUNTRY IS SUBJECT REGULARLY TO INQUIRIES, INVESTIGATIONS AND AUDITS BY FEDERAL AND STATE AGENCIES THAT OVERSEE VARIOUS NATURAL GAS PIPELINE REGULATIONS. CHANGES TO THE CURRENT REGULATORY ENVIRONMENT MAY HAVE A MATERIAL ADVERSE IMPACT ON CROSSCOUNTRY'S ACTUAL RESULTS. REFER TO THE ENTIRETY OF SECTION IX., "CROSSCOUNTRY ENERGY CORP." AND SECTION XIV., "RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED" FOR FURTHER DISCUSSION ON THESE AND OTHER RISKS ATTENDANT WITH THE NATURAL GAS PIPELINE INDUSTRY.

D. Legal Proceedings

In addition to the matters described below, from time to time the Pipeline Businesses to be contributed to CrossCountry pursuant to the formation transactions are subject to other claims and litigation arising in the ordinary course of business. Although the final outcome of any legal proceeding cannot be predicted with certainty, CrossCountry does not expect disposition of these matters to have a materially adverse effect on its financial position, results of operation or cash flows. Refer to Section IV.C., "Litigation and Government Investigations" for further information regarding significant pending litigation.

1. In re Natural Gas Royalties Qui Tam Litigation, MDL Docket No. 1293 (D. Wy.), previously Civil Action Nos. 97-D-1421 (D. Colo.) and 97-2087 (E.D. La.) and other consolidated cases. This proceeding was initiated against Transwestern, Northern Border Pipeline, Citrus, Florida Gas, and certain of their affiliates by a private person on behalf of the United States of America under the FCA. The relator, as the plaintiff is called in FCA actions, alleges that the defendants mismeasured the volume and heating content of natural gas produced from federal and Indian leases. The relator further alleges that, as a result, the defendants caused others to underpay the royalties that were due to the United States government. The Pipeline Businesses believe that their measurement practices conformed to the terms of their FERC Gas Tariffs, which are filed with and approved by FERC. As a result, the Pipeline Businesses believe that they have meritorious defenses (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of FERC, and that the Pipeline Businesses complied with the terms of their tariffs) to the lawsuit, which they are defending vigorously.

2. **Will Price, et al. v. Gas Pipelines, et al. 26th Judicial District Court of Stevens County, Kansas (Case No. 99 CV-30).** This proceeding is a putative class action brought on behalf of gas producers, working interest owners, royalty owners, and overriding royalty owners against Transwestern and Florida Gas, among others. The plaintiffs allege that the defendants mismeasured the volume and heating content of natural gas. The plaintiffs further allege that the defendants, acting alone or in conspiracy with each other, underpaid the gas producers for the production of natural gas and caused others to underpay royalty owners. The Pipeline Businesses believe that their measurement practices conformed to the terms of their FERC gas tariffs, which are filed with and approved by FERC. As a result, the Pipeline Businesses believe that they have meritorious defenses (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of FERC, and that the pipelines complied with the terms of their tariffs) to the complaint and are defending the suit vigorously. On April 10, 2003, the judge declined to certify the class. On May 12, 2003, the plaintiff filed a motion for leave to file an amended petition. This would be the fourth amended petition and only includes defendants who were not part of the motion to dismiss for lack of personal jurisdiction. On July 28, 2003, the judge granted leave to file the fourth amended petition and it did not include Transwestern or Florida Gas. Therefore, Transwestern and Florida Gas are no longer named defendants in the litigation.

3. **Citrus Trading Corp. v. Duke Energy LNG Sales, Inc., District Court of Harris County, Texas, (Case No. 2003-12166).** On March 7, 2003, Citrus Trading filed a declaratory order action, involving a contract between it and Duke Energy LNG Citrus Trading requested that the court declare that Duke Energy LNG breached the parties' natural gas purchase contract by failing to provide sufficient volumes of gas to Citrus Trading. The suit seeks damages and a judicial determination that Duke Energy LNG has not suffered a "loss of supply" under the parties' gas purchase contract, which would have given rise to the right of Duke Energy LNG to terminate the contract. On April 14, 2003, Duke Energy LNG sent Citrus Trading a notice that the contract was terminated effective as of April 16, 2003. Duke Energy LNG has continued to refuse to perform under the contract. Duke Energy LNG has answered and filed a counterclaim, arguing that Citrus Trading has breached a "resale restriction" on the gas and that Citrus Trading failed to timely increase the amount of a letter of credit. Citrus Trading disputes that it has breached the agreement, or that any event has given rise to a right to terminate by Duke Energy LNG. On April 29, 2003, Duke Energy LNG filed to remove the case to federal court. On May 28, 2003, Citrus Trading filed a motion to remand the case to state court. On June 2, 2003, Citrus Trading notified Duke Energy LNG that because Duke Energy LNG had not cured its default, Citrus Trading terminated the agreement effective as of June 5, 2003. On July 23, 2003, Citrus Trading sent its preliminary "termination payment" invoice to Duke Energy LNG in an amount of $174.23 million. The preliminary invoice may be

supplemented. This is a disputed matter and there can be no assurance as to what amounts, if any, Citrus Trading will ultimately recover. On July 31, 2003, the federal court granted Citrus Trading's motion and remanded the case to state court. Discovery is underway. Also, on August 18, 2003, Duke Energy LNG filed a Third-Party Petition against its Algerian suppliers ("Sonatrach" and "SonaTrading Amsterdam").

4. **FERC Order to Respond.** On August 1, 2002, FERC issued to Transwestern an order to respond. The order required Transwestern to provide written responses stating why FERC should not find that: (1) Transwestern violated FERC's accounting regulations by failing to maintain written cash management agreements with ENE; and (2) the secured loan transactions entered into by Transwestern in November 2001 were imprudently incurred and why the costs arising from such transactions should be passed on to ratepayers. Transwestern filed a response to the order and subsequently entered into a settlement with FERC staff that resolved the issues raised by the order. FERC has approved this settlement; however, a group of Transwestern's customers has filed a request for clarification and/or rehearing of FERC order approving the settlement. This customer group claims that there is an inconsistency between the language of the settlement agreement and the language of the FERC order approving the settlement. This alleged inconsistency relates to Transwestern's ability to pass on to its ratepayers the costs of any replacement or refinancing of the secured loan transactions entered into by Transwestern in November 2001. Transwestern has filed a response to the customer group's request for rehearing and/or clarification and this matter is currently awaiting FERC action.

5. **Eugene Lavender, et al. v. Florida Gas Transmission Company, et al., U.S. District Court, Southern District of Alabama (Case No. CV-02-0361-JG-L).** This proceeding is associated with the construction and operation of Florida Gas Compressor Station Number 44, which was built as part of the Phase V Expansion. The plaintiffs allege negligence, wantonness, nuisance, strict liability, personal injury, loss of wages, and inverse condemnation. This suit is the consolidation of 13 different lawsuits filed in Mobile County Circuit Court that were removed to federal court. There are 25 individual plaintiffs owning 13 different tracts of land in the vicinity of Compressor Station Number 44. Mediation was held on July 22, 2003 but was unsuccessful. In an order dated August 6, 2003 the Court granted summary judgment against the plaintiffs on a number of claims, including those that might result in punitive damages, thereby limiting plaintiffs' claims to nuisance and negligence. Prior to this order the plaintiffs stated their claim at trial would be $4,295,000. On August 15, 2003, plaintiffs filed a Motion to Reconsider, Alter or Amend the Court's summary judgment order entered August 6, 2003. Florida Gas's brief in opposition was filed on August 22, 2003. Jury selection is currently scheduled to begin on December 2, 2003 with the trial to start in December 2003.

6. **Florida Gas Transmission Co. v. Wright, et al., 20th Judicial Circuit Court, Charlotte County, Florida (Case No. 00-1902-CA).** This proceeding relates to a condemnation by Florida Gas for the acquisition of a right-of-way by Florida Gas during its Phase IV Expansion. An Easement Agreement between Florida Gas and the owner of the property was executed but the owner threatened to commence a post-pipeline construction lawsuit for damages. The owner agreed to stipulate to taking of the right-of-way by Florida Gas for the agreed upon price but is contesting the route and the amount of the damages to the land. Florida

Gas has filed a motion to dismiss, and at a hearing on July 28, 2003, the motion was denied. The owner's demand for damages is $1,872,500 excluding fees and costs.

7. Florida Gas Transmission Co. v. Battista, et al., 20th Judicial Circuit Court, Charlotte County, Florida (Case No. 00-319-CA). This proceeding, which relates to a condemnation by Florida Gas for the acquisition of a right-of-way by Florida Gas during its Phase IV Expansion, involves a claim by the owner of the land for possible sod crop damage due to drainage obstruction by Florida Gas. Florida Gas has filed a motion to dismiss, and at a hearing on July 28, 2003, the motion was denied. The owner's demand is $1,469,000 excluding fees and costs.

8. Moye v. Exxon Corp., et al., 35th Judicial Circuit Court, Monroe County, Alabama (Case No. CV-98-20). In this proceeding, a mineral owner seeks damages for mismeasurement of natural gas production, as well as, subsequent underpayment of royalties against defendants ExxonMobil, et al., alleging the duty to measure properly under contracts with royalty owners. The pipelines, including Florida Gas, were subsequent measurers and are alleged to have measured gas incorrectly. Damages for underpayment of royalties and mismeasurement are unspecified. The mineral owner was granted class certification as to ExxonMobil only; Florida Gas was not included in the class certification order.

9. Air Liquide American Corp., et al. v. United States Army Corps of Engineers, et al., U.S. District Court, Southern District of Texas, Houston Division (Case No. H-98-3982). Florida Gas is among sixteen plaintiffs seeking reimbursement from the Port Authority of Houston for the cost of moving their pipelines in the Houston Ship Channel. In January 2002, the court ordered the Port Authority of Houston to pay the cost of moving the pipelines. The Port Authority has appealed and oral arguments took place on September 3, 2003. The potential recovery for Florida Gas is approximately $4 million.

10. Assiniboine & Sioux Tribes of the Fort Peck Indian Reservation v. Northern Border Pipeline Co., Tribal Court (No. 01-7-243). On July 31, 2001, the Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation filed suit in Tribal Court against Northern Border Pipeline to collect more than $3 million in back taxes, with interest and penalties relating to a utilities tax on certain of Northern Border Pipeline rights-of-way within the Fort Peck Reservation. During mediation the parties agreed in principle to a settlement on pipeline right-of-way lease and taxation issues, subject to final documentation and necessary governmental approvals.

E. Directors

On the Effective Date, CrossCountry's board of directors shall consist of individuals designated by the Debtors, after consultation with the Creditors' Committee, all of which shall be disclosed prior to the Confirmation Hearing. In the event that, during the period from the Confirmation Date up to and including the Effective Date, circumstances require the substitution of one (1) or more persons selected to serve, the Debtors shall file a notice thereof with the Bankruptcy Court and, for purposes of section 1129 of the Bankruptcy Code, any such replacement person, designated after consultation with the Creditors' Committee, shall be deemed to have been selected or disclosed prior to the Confirmation Hearing. Thereafter, the terms and manner of selection of the directors of CrossCountry shall be as provided in the CrossCountry Certificate of Incorporation and CrossCountry By-laws, as the same may be amended. Each director will serve until a successor is elected and qualified or until his earlier resignation or removal.

Set forth below is biographical information for four individuals who are expected to be members of CrossCountry's board of directors on the Effective Date. Each of these directors have held their position at CrossCountry since CrossCountry's formation or shortly thereafter. It is anticipated that an additional director will be appointed prior to the Effective Date. Currently there is an interim management team in place for CrossCountry.

1. Raymond S. Troubh

Mr. Troubh, 77, is a financial consultant. He has been an ENE director since November 27, 2001 and Chairman of the Board of ENE since November 14, 2002. He is also a director of ARIAD Pharmaceuticals, Inc., Diamond Offshore Drilling, Inc., General American Investors Company, Gentiva Health Services, Inc., Petrie Stores Liquidating Trust (Trustee), Triarc Companies, Inc., and WHX Corporation. He formerly was a partner of Lazard Freres and Co. and previously served on the boards of several public companies such as Time Warner, Starwood Hotels, and America West Airlines, among others.

2. Corbin A. McNeill, Jr.

Mr. McNeill, 63, is the retired chairman and CEO of Exelon Corporation, which was formed in October 2000 by the merger of PECO Energy Company and Unicom Corporation. Prior to the merger, he was chairman, president, and CEO of PECO Energy. Mr. McNeill completed a 20 year career with the U.S. Navy in 1981 and then joined the New York Power Authority as resident manager of the James A. Fitzpatrick nuclear power plant. He also worked at Public Service Electric and Gas Company prior to joining PECO in 1988 as executive vice president, nuclear. Mr. McNeill has been a director of ENE since May 30, 2002. He also serves on the boards of the Electric Power Research Institute and Associated Electric & Gas Services Limited.

3. James J. Gaffney

Mr. Gaffney, 63, is a financial consultant specializing in companies that have emerged from bankruptcy proceedings, undergone consensual restructurings, or have otherwise had financial/operational difficulties. Mr. Gaffney has served on the boards of General Aquatics Inc., Ayers Chairmakers Inc., Brown Jordan Company, General Refractories Company, Imperial Sugar Company, SCP Pool Inc., and Hexcel Inc. Mr. Gaffney earned a Master of Business Administration degree from New York University in 1967 and a Bachelors of Business Administration degree from St. John's University in 1963.

4. Gary L. Rosenthal

Mr. Rosenthal, 54, is the President of Heaney Rosenthal Inc., a private equity financial consultant. Mr. Rosenthal has served on the boards of Hydrochem Holding Inc., Axia Incorporated, Wheatley TXT Corp., Dresser Inc., Oil States International, Inc., Pioneer

Companies Inc., and Texas Petrochemical Holdings Inc. Mr. Rosenthal was a Partner with Vinson & Elkins until 1987, and clerked at the United States Fifth Circuit Court of Appeals. He earned a J.D. from Harvard Law School in 1975, and an A.B. from Harvard University in 1971.

F. Certain Relationships and Related Transactions

1. Formation of CrossCountry

CrossCountry was incorporated in the State of Delaware on May 22, 2003 for the purpose of acquiring the CrossCountry Equity Interests. On June 24, 2003, CrossCountry and each of ENE, ETS, Enron Operations, L.P., and EOSC (for purposes of this section only the "Enron Parties") entered into the CrossCountry Contribution and Separation Agreement, which governs the contribution of the CrossCountry Equity Interests. A motion has been filed with the Bankruptcy Court seeking approval of the CrossCountry Contribution and Separation Agreement. Objections have been filed to the motion and it is anticipated that a hearing will be held on this motion on September 25, 2003. If approved by the Bankruptcy Court, then, in connection with the CrossCountry Contribution and Separation Agreement, CrossCountry and the Enron Parties will enter into certain ancillary agreements, including the Transition Services Agreement, the Tax Allocation Agreement, the Ardmore Agreement, and the Cross License Agreement, as more fully described below.

The ancillary agreements, together with the CrossCountry Contribution and Separation Agreement, will govern the relationship between the Enron Parties and CrossCountry subsequent to the contribution of the CrossCountry Equity Interests and provide for the allocation of tax, the performance of certain interim services, and the definition of other rights and obligations until the distribution of shares of capital stock of CrossCountry pursuant to the Plan. In addition, the CrossCountry Contribution and Separation Agreement sets forth certain shareholder protection provisions with respect to CrossCountry and indemnification obligations of the Enron Parties and CrossCountry, as more fully described below.

a. CrossCountry Contribution and Separation Agreement. The Enron Parties, pursuant to the CrossCountry Contribution and Separation Agreement, will contribute the CrossCountry Equity Interests to CrossCountry in exchange for shares of CrossCountry common stock commensurate with the value of the CrossCountry Equity Interests contributed. In addition, certain of the Enron Parties will contribute information technology and other assets to be used by each of the Pipeline Businesses.

Under CrossCountry's certificate of incorporation, CrossCountry is authorized to issue two classes of common stock—Class A common stock and Class B common stock. Together, the classes are known as CrossCountry common stock. The rights of, and the limitations and restrictions on, shares of Class A common stock and shares of Class B common stock are identical in all respects except that holders of the Class B common stock are not entitled to vote in the election of directors. The Class B common stock will automatically convert into Class A common stock upon the earlier of:

- the distribution or other transfer of 100% of the capital stock of ETS and NBP Services to ENE or a wholly owned subsidiary of ENE, pursuant to a dissolution, liquidation or otherwise, and

- the distribution of CrossCountry Common Stock to creditors pursuant to the Plan.

The shares of CrossCountry common stock to be issued in connection with the CrossCountry Contribution and Separation Agreement are set forth below:

Equity Interest/Asset	Contributed By	Shares of CrossCountry Common Stock To Be Issued in Exchange for Equity Interest
500 shares of Class B common stock, par value $1.00 per share, of Citrus	ENE	2,400 shares of Class A Common Stock
400 shares of common stock, par value $1.00 per share, of Northern Plains	ENE	644 shares of Class A Common Stock
800 shares of common stock, par value $0.01 per share, of Transwestern Holding, and the voting trust certificate for two hundred (200) shares of common stock, par value $0.01 per share, of Transwestern Holding	ETS	2,182 shares of Class B Common Stock
1,000 shares of common stock, par value $0.01 per share, of CGNN	ETS	32 shares of Class B Common Stock
Transfer of certain shared services assets	ETS	7 shares of Class B Common Stock
1,000 shares of common stock, par value $1.00 per share, of NBP Services	Enron Operations, L.P.	1 share of Class B Common Stock
Transfer of certain shared services assets	EOS	9 shares of Class B Common Stock

The CrossCountry Contribution and Separation Agreement contemplates the eventual distribution to creditors of shares of CrossCountry common stock under the Plan, or the capital stock of such other company designated under the Plan to distribute shares of capital stock representing CrossCountry's interest in the Pipeline Companies (CrossCountry or such company being a "Distributing Company"), and the following actions to be taken by CrossCountry and the Enron Parties to effectuate that distribution:

- each Enron Party and CrossCountry will take necessary actions to conform the organizational documents and capital structure of the Distributing Company as necessary to effectuate the distribution;

- CrossCountry will and, if applicable, the Enron Parties will cause the Distributing Company to prepare, file, and use commercially reasonable efforts to have declared effective a registration statement on Form 10 by the SEC and use its reasonable best efforts to have approved an application for listing of its capital stock on a national securities exchange or quoted in one of the NASDAQ markets;

- to the extent provided in the Plan, on the date of the initial distribution of capital stock of the Distributing Company, the shares of CrossCountry common stock held by the Enron Parties will be cancelled or assigned to a Distributing Company, if applicable;

- CrossCountry will and, if applicable, the Enron Parties will cause the Distributing Company to issue the number of shares of its capital stock required by the Plan (with such shares not immediately distributed to creditors being held in a reserve for Disputed Claims), and take all actions necessary to ensure that those shares are duly authorized, validly issued, fully paid and nonassessable and free of any preemptive rights;

- subject to certain exceptions in the CrossCountry Contribution and Separation Agreement, CrossCountry will bear the expenses incurred in connection with a distribution of its shares;

- ENE intends to obtain such consents as are necessary to effect the distribution of capital stock of the Distributing Company pursuant to the Plan. Refer to Section XIV.A.4., "Delayed Distribution or Non-Distribution of Plan Securities" for further information; and

- with respect to any claims relating to pre-contribution obligations (including intercompany notes or receivables) owed by ENE and its affiliates (other than CrossCountry and its subsidiaries) to CrossCountry or any of its subsidiaries, CrossCountry agrees to, and to cause its subsidiaries to, and to cause any assignee or successor in interest to such obligations to agree to, submit a Ballot voting in favor of the Plan, to the extent such claims entitle the holder thereof to vote on the Plan.

(i) Indemnification

(A) Tax Indemnification. ENE has agreed to indemnify the CrossCountry Indemnified Parties against any taxes, or liabilities incurred in connection with taxes, of any subsidiary of CrossCountry that are imposed upon such subsidiary by reason of its being severally liable for any taxes of ENE and its subsidiaries (other than CrossCountry and its subsidiaries) pursuant to Treasury Regulation §1.1502-6(a) or any analogous state, local, or foreign law. This obligation to indemnify terminates upon the closing of the Chapter 11 Cases.

(B) Employee Benefits Indemnification. ENE has agreed to indemnify the CrossCountry Indemnified Parties against any liabilities arising out of any employee benefit plan sponsored by ENE that are imposed upon any CrossCountry subsidiary (i) under Title IV of ERISA or (ii) due to participating employer status in the Enron Corp. Savings Plan. This obligation to indemnify terminates upon the closing of the Chapter 11 Cases.

(C) TGS Related Indemnification. In connection with ENE's investment in TGS, ENE included Transwestern as a member of the "economic group" of ENE-controlled companies, and Transwestern agreed to provide ongoing technical support to the ENE affiliate, EPCA, serving as the Technical Operator for the TGS pipeline. Refer to Section IX.F.2.a., "TGS" for further information. CrossCountry has agreed to provide ENE with written notice of any communication from TGS, EPCA, any direct or indirect stakeholder in TGS (if such communication relates to TGS), or the Argentine government. Regardless of whether ENE has received such notice, ENE may request in writing that CrossCountry cause Transwestern to perform certain services or take certain actions with respect to existing obligations relating to TGS or EPCA. CrossCountry has agreed to cause Transwestern to perform such services or take such actions promptly upon the receipt of such notice, and shall cause Transwestern to perform in a reasonably prudent manner and in accordance with natural gas pipeline industry standards in the United States.

Under the CrossCountry Contribution and Separation Agreement, ENE has agreed to indemnify the CrossCountry Indemnified Parties against any liabilities incurred by CrossCountry in connection with third-party claims arising from ENE's investment in TGS, including potential liabilities that may result from Transwestern's ceasing to be a member of ENE's economic group. However, ENE will have no obligation to indemnify CrossCountry for any such liabilities if (i) CrossCountry fails to provide ENE with a notice of certain communications relating to TGS when required to do so or (ii) such liabilities arise from any action or inaction by Transwestern that is not in accordance with the performance standards or requested by ENE.

CrossCountry has agreed to indemnify the Enron Indemnified Parties against any liabilities incurred by an Enron Indemnified Party as a result of (w) CrossCountry's failure to provide ENE with notice when required to do so, (x) Transwestern's refusal or failure to promptly perform services or actions set forth in a notice from ENE requesting such performance, (y) performance pursuant to such notice that is not in accordance with the performance standard set forth in the CrossCountry Contribution and Separation Agreement or (z) Transwestern's election to perform services or take any action in the absence of a notice requesting performance from ENE, or to perform services or take actions in addition to those specified in any such notice. The obligations to indemnify with respect to TGS-related matters terminate upon the closing of the Chapter 11 Cases.

(D) General Indemnification. In addition to the indemnification obligations described above, CrossCountry and ENE have agreed to indemnify the Enron Indemnified Parties and the CrossCountry Indemnified Parties, respectively, against any liabilities resulting from third-party claims caused by a material breach by such party of the CrossCountry Contribution and Separation Agreement. In addition, CrossCountry has agreed to indemnify the Enron Indemnified Parties against any liabilities arising out of any guaranty (existing on or prior to closing) of any obligation of CrossCountry or its subsidiaries by ENE or any affiliate of ENE (other than CrossCountry and its subsidiaries). Each party's obligation to indemnify pursuant to the general indemnification will terminate upon the initial distribution to creditors of CrossCountry Common Stock pursuant to the terms of the Plan except for the obligation to indemnify against liabilities arising out of a material breach of covenants in the Contribution and Separation Agreement that by their terms contemplate performance after such date which shall survive for the applicable period of time set forth in such covenant.

(E) Limitations on Indemnification. The Enron Parties, on the one hand, and CrossCountry, on the other hand, shall not be required to indemnify the CrossCountry Indemnified Parties and the Enron Indemnified Parties, respectively, for any liabilities resulting from third-party claims caused by a material breach by such party of the CrossCountry Contribution and Separation Agreement or liabilities arising under the Transition Services Agreement, exceeding $125 million in the aggregate.

(ii) Termination. ENE may unilaterally terminate the CrossCountry Contribution and Separation Agreement at any time in its discretion, subject to the consent of the Creditors' Committee.

Upon the occurrence of an event that is materially adverse to the business, financial condition or assets of CrossCountry and its subsidiaries prior to the closing date, ETS may terminate the CrossCountry Contribution and Separation Agreement if the board of directors of ETS determines in good faith that the exercise of its fiduciary duties requires that ETS terminate the CrossCountry Contribution and Separation Agreement.

(iii) Certain Governance Provisions. From the closing date until the initial distribution of CrossCountry Common Stock pursuant to the terms of the Plan, CrossCountry has agreed that it will not take the following actions without the approval of a majority of CrossCountry's stockholders:

- disposing of any capital stock held directly or indirectly by CrossCountry in certain pipeline and service companies or selling any significant portion of the assets of CrossCountry or such companies;
- entering into any new lines of business or changing the fiscal year;
- establishing or modifying significant accounting methods, practices or policies or significant tax policies;
- registering securities of CrossCountry or certain subsidiaries of CrossCountry for issuance under federal or state securities laws;
- issuing any capital stock of CrossCountry or certain subsidiaries of CrossCountry, or any securities convertible into, or exercisable or

exchangeable for, capital stock of CrossCountry or certain subsidiaries of CrossCountry;

- creating or assuming any indebtedness for borrowed money in excess of $40 million in the aggregate for CrossCountry and certain of its subsidiaries, except for renewals, roll-overs, or refinancings of existing indebtedness;

- adopting or materially amending any equity-based bonus or employee benefit plan or program;

- incurring (x) any non-maintenance capital expenditures, or commitments to make non-maintenance capital expenditures, in excess of $15 million in the aggregate per CrossCountry fiscal year and/or per project or group of related projects or (y) annual maintenance capital expenditures, or commitments to make annual maintenance capital expenditures, in excess of $50 million in the aggregate, in each case, by CrossCountry and certain of its subsidiaries;

- compromising or settling litigation in excess of $2 million; or

- entering into any joint venture, partnership, merger, or other business combination transaction.

Until the distribution of CrossCountry Common Stock to Creditors pursuant to the Plan, CrossCountry has agreed that it will cause its controlled subsidiaries not to, and will use commercially reasonable efforts, subject to any applicable fiduciary and/or contractual obligations, to cause its non-controlled subsidiaries not to, engage in the above actions. CrossCountry has also agreed to cause its subsidiaries to include these provisions in their respective certificates of incorporation. Refer to Section XIV.A.4., "Delayed Distribution or Non-Distribution of Plan Securities" for further information.

At the closing, CrossCountry will file an amended and restated certificate of incorporation setting forth the same shareholder protection provisions. ENE has agreed that it will request that the CrossCountry Approval Order provide that CrossCountry may not amend the provisions of its amended and restated certificate of incorporation without first obtaining an order of the Bankruptcy Court permitting such amendment.

Upon the written request (if any) of ENE to CrossCountry, at any time prior to the initial distribution of capital stock of the Distributing Company, the board of directors of CrossCountry will commence an auction process for the sale of certain of its businesses or assets, subject to CrossCountry stockholder approval of the terms and conditions of such sale. ENE has agreed that the CrossCountry Approval Order will provide that CrossCountry must first obtain an order of the Bankruptcy Court authorizing such stockholder approval.

(iv) Transfer of Shared Services Assets. Prior to the closing, EOS and ETS will assign to CrossCountry or a designated subsidiary of CrossCountry certain assets, including certain information technology and the Ardmore Data Center in Houston, Texas, on an "as-is," "where-is" basis. The Ardmore Data Center is the primary internet/telecommunications center for ENE and its affiliates, including the Pipeline Businesses. The servers, storage area network equipment, and phone switch equipment for ENE and its affiliates, including the Pipeline Businesses, are located at Ardmore. Under the Transition Services Agreement described below, CrossCountry agrees to provide support services to ENE relating to the Ardmore Data Center.

(v) Conditions to Closing. In addition to customary conditions to the obligations of the parties, including the absence of material breaches of the CrossCountry Contribution and Separation Agreement, performance of all covenants and agreements and the delivery of all closing documentation, the obligation of the parties under the Contribution and Separation Agreement is conditioned upon (i) obtaining the CrossCountry Approval Order, (ii) the release of all liens on the CrossCountry Equity Interests imposed in connection with ENE's Amended DIP Credit Agreement, (iii) obtaining the necessary consents under the Transwestern's credit facility, and (iv) obtaining consent from the FCC.

b. Transition Services Agreement. At the closing of the transactions contemplated by the CrossCountry Contribution and Separation Agreement, CrossCountry and ENE will enter into a Transition Services Agreement pursuant to which ENE will provide to CrossCountry, on an interim, transitional basis, various services, including, but not limited to, the following categories of services: (i) office space and related services, (ii) information technology services, (iii) SAP accounting system usage rights and administrative support, (iv) tax services, (v) cash management services, (vi) insurance services, (vii) contract management and purchasing support services, (viii) corporate legal services, (ix) corporate secretary services, (x) off-site and on-site storage, (xi) payroll, employee benefits and administration services, and (xii) services from RAC on a defined project basis. CrossCountry will provide to ENE, on an interim, transitional basis, various services, including, but not limited to, the following categories of services: (i) floor space for servers and other information technology equipment, (ii) technical expertise and assistance, including, without limitation, pipeline integrity, safety, environmental and compliance, (iii) accounts payable support, and (iv) accounting services relating to businesses owned directly or indirectly by ETS immediately prior to closing.

The parties are expected to enter into a Supplemental Agreement to the Transition Services Agreement at the closing of the CrossCountry Contribution and Separation Agreement. Subject to the consent of the Creditors' Committee, the Supplemental Agreement will more fully delineate the services provided within each category set forth in the Transition Services Agreement. The charges for such transition services will be fixed in the Supplemental Agreement. The services will be provided on a cost basis.

Provision of the transition services will commence on the effective date of the Transition Services Agreement and terminate on December 31, 2004, unless otherwise agreed in writing by the parties. However, except as otherwise provided in the Supplemental Agreement, ENE may terminate any transition service upon ninety days' prior written notice to CrossCountry.

c. Cross License Agreement. At the closing of the transactions contemplated by the CrossCountry Contribution and Separation Agreement, ENE and certain of its subsidiaries and affiliated companies will enter into a Cross License Agreement pursuant to which each of the companies that are a party to the Cross License Agreement will grant, without warranty of any kind, each and every other party and their respective subsidiaries, all of the intellectual property rights of the party granting the license in and to certain software programs, documentation, and patents described in the Cross License, a non-exclusive, royalty free, sublicensable license, with fully alienable rights, to (i) use, copy, and modify the licensed programs and documentation; (ii) use, make, have made, distribute, and sell any and all products and services of the party receiving the license as well as such party's subsidiaries and sublicensees (if any); and (iii) engage in the business of such party receiving the license and business of its subsidiaries and sublicensees (if any) prior to, on, and after the closing date.

In general, the Cross License Agreement will become effective on the closing date and the licenses granted will continue in perpetuity unless licenses granted to a breaching party are terminated by any affected non-breaching party in the event such breaching party fails to cure a material breach of the Cross License Agreement within thirty days after delivery of written notice of the breach.

d. Tax Allocation Agreement. At the closing of the transactions contemplated by the CrossCountry Contribution and Separation Agreement, CrossCountry, Northern Plains, Pan Border, NBP Services, Transwestern Holding, Transwestern, and CGNN will enter into a Tax Allocation Agreement with ENE. The Tax Allocation Agreement will set forth the respective rights and responsibilities of the parties to the Tax Allocation Agreement with respect to taxes. The parties will continue their current practice and cause their respective subsidiaries to consent, to the extent necessary, to the filing of consolidated returns by ENE, including consolidated returns for the tax year ended December 31, 2003, and for each year thereafter that they are eligible to file consolidated returns, until such time as ENE, in the exercise of its sole discretion, elects to refrain from filing consolidated tax returns. ENE will be responsible for, among other things, the preparation and filing of all required consolidated returns on behalf of the companies and their subsidiaries, making elections and adopting accounting methods, filing claims for refund or credit, and managing audits and other administrative proceedings conducted by the IRS.

The determination of earnings and profits for federal income tax purposes will be allocated to each of the companies severally. ENE will allocate the consolidated tax liability for each taxable period to each of the parties and their subsidiaries, now or in the future, and each of the parties and their respective subsidiaries will be compensated for the use of their respective net operating losses and/or tax credits to the extent utilized in the ENE consolidated return (other than the use of such losses or credits to offset gain in respect of an election pursuant to section 338(h)(10) of the IRC). Under this agreement, CrossCountry and each subsidiary that is a member of the ENE Tax Group will be obligated to pay ENE the amount of income tax that it would have paid on a stand-alone basis.

Prior to a subsidiary of ENE that is a party to the Tax Allocation Agreement ceasing to be a member of the ENE consolidated tax group, all intercompany payable accounts and intercompany receivable accounts of such subsidiary will be offset and netted against each other. If the resulting net balance is a payable from such subsidiary to ENE, then such subsidiary will pay the amount due to ENE. If the resulting net balance is a receivable from ENE to such subsidiary (other than Transwestern), then such subsidiary will assign and transfer its interest in the receivable to ENE. If the resulting net balance is a receivable from ENE to Transwestern, ENE and Transwestern will determine how such receivable will be settled.

In general, the Tax Allocation Agreement will become effective on the closing date and will continue for "open years" under Section 6501 of the IRC and the applicable state and local provisions for purposes of federal income taxes, state taxes, and any other taxes, including taxes paid during the year ended December 31, 2003.

e. The Ardmore Agreement. Prior to the Closing, ENE and CrossCountry will enter into a license or lease agreement under which CrossCountry will lease to ENE adequate floor space in the Ardmore Data Center for servers and other information technology equipment owned by the Enron Parties. The space will be provided on a cost-basis for a term to be specified in the Ardmore Agreement.

2. Certain Business Relationships

a. TGS. In 1992, Argentina granted TGS a 35-year license to operate Argentina's main natural gas pipeline. Following a competitive bid process, the Argentine government awarded the bid to own and operate the TGS pipeline to a consortium that included ENE. As part of the bid application, Transwestern agreed to provide ongoing technical support to the ENE affiliate, EPCA, serving as the Technical Operator for the TGS pipeline. In addition, Transwestern guaranteed the performance of Enron Pipeline Company of Argentina's obligations under certain shareholder and other agreements with its joint venture partner. The surviving performance obligations under these agreements primarily involve corporate governance issues and shareholder rights.

b. ENE. The businesses that will be contributed to CrossCountry upon closing of the formation transactions have in place a number of arrangements with ENE, its subsidiaries and affiliates for certain general corporate services, including, but not limited to, information technology related matters, benefits plans or benefits related matters, and tax sharing arrangements. Upon closing of the formation transactions, these services will be provided pursuant to the agreements described herein. In addition, various agreements exist that are associated with the services provided by the business to the subsidiaries and affiliates of ENE such as natural gas transportation agreements and agreements that relate to the operation of the businesses such as compression services agreements.

Contemporaneous with the initiation of the Chapter 11 Cases, ENE and a number of its subsidiaries and affiliates that are the subject of Chapter 11 Cases ceased performance of their respective obligations under a number of such agreements with one or more of the CrossCountry companies or third parties. Those agreements (as well as any other agreements entered into by one of CrossCountry's businesses with a Debtor) have been, or are subject to being, rejected, at the option of the Debtor, as executory contracts. ENE and those of its subsidiaries and affiliates involved in the Chapter 11 Cases have not yet identified the agreements that will be rejected as executory contracts. CrossCountry may assume certain obligations to pay prepetition amounts due under certain contracts that CrossCountry elects to be assigned to it by Debtor entities. CrossCountry is not able to currently quantify the amount of such costs.

Transwestern and Florida Gas have entered into compression services agreements with ECS, an ENE affiliate, that continues to perform under the terms of such agreements.

Transwestern and Citrus have entered into hedging and transportation arrangements and intercompany loans with ENE and/or its subsidiaries or affiliates. Resolution of any claims by or against Transwestern and Citrus relating to such transactions will be addressed in the Plan.

ENE and El Paso's subsidiary, Southern Natural Gas, are parties to a Capital Stock Agreement that governs ownership and disposition of the shares of Citrus. Upon the contribution by ENE of its equity interest in Citrus to CrossCountry, it is expected that CrossCountry will agree to be bound by the provisions of the Capital Stock Agreement applicable to ENE so long as such agreement remains in effect. Refer to Section XIV.H.4.a., "Citrus Trading Contract Risk" for further information.

Northern Border Partners and its subsidiaries have entered into various agreements with ENE and certain affiliates that are subject to the bankruptcy proceedings that are described in Northern Border Partners' annual report on Form 10-K for the year ended December 31, 2002, which report was not prepared by the Debtors but may contain information relevant to the Creditors' decision to approve the Plan.

G. Indemnification of Directors and Officers

CrossCountry's certificate of incorporation provides that CrossCountry will indemnify directors and officers of CrossCountry to the fullest extent permitted by the Delaware General Corporation Law for actions taken in their capacity as directors and officers of CrossCountry. Expenses incurred by a director or officer in connection with an indemnifiable claim will be addressed by CrossCountry provided that such director or officer will be obligated to repay such advance to the extent it is ultimately determined that such director or officer was not entitled to indemnification. CrossCountry is authorized, in its discretion, to provide the same indemnification protections to employees and agents.

Under Delaware law, directors, officers, employees and other individuals may be indemnified against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (a derivative action) if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of CrossCountry and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard of care is applicable in the case of a derivative action, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with defense or settlement of such an action and Delaware law requires court approval before there can be any indemnification of expenses where the person seeking indemnification has been found liable to CrossCountry.

H. Equity Compensation Plan

Following the effectiveness of the Plan, in order to attract, retain and motivate highly competent persons as key employees and non-employee directors of CrossCountry, CrossCountry expects to adopt a long-term equity incentive compensation plan providing for awards to such individuals over the ten-year term of the equity plan. The percentage of such award of CrossCountry Common Stock, on a fully diluted basis, is expected to be determined following consultation with the Creditors' Committee.

X. Prisma Energy International Inc.

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Business

1. General

Prisma is a Cayman Islands company formed to own and, in certain circumstances, operate many of ENE's international energy infrastructure businesses. No operating businesses or assets have been transferred to Prisma at this time; however, subject to obtaining requisite consents, the Debtors intend to transfer the businesses described in this section of the Disclosure Statement to Prisma either in connection with the Plan or at such earlier date as may be determined by ENE and approved by the Bankruptcy Court. In addition, as previously approved by the Bankruptcy Court, the Debtors have transferred certain employees to a wholly-owned subsidiary of Prisma formed to provide services to Prisma and its subsidiaries, as well as, in certain instances, the Debtors and their affiliates, with respect to operating and managing international assets.

The Debtors are actively pursuing a strategy to obtain the requisite consents, including approval of the Bankruptcy Court, in order to transfer certain operating businesses and assets to Prisma and its subsidiaries; however, there can be no assurance as to which businesses and assets ultimately will comprise Prisma. Prisma will be engaged in the generation and distribution of electricity, the transportation and distribution of natural gas and LPG, and the processing of NGLs. If all businesses are transferred to Prisma as contemplated, Prisma will own interests in businesses whose assets will:

- include over 9,600 miles of natural gas transmission and distribution pipelines;
- include over 56,000 miles of electric transmission and distribution lines;
- include over 2,100 MW of electric generating capacity;
- serve 6.5 million LPG, gas, and electricity customers;
- be located in 14 countries; and

- employ over 7,900 people.

Prisma will be an energy infrastructure company providing energy generation, transportation, processing, and distribution services in a safe and reliable manner. By concentrating on its core competencies of owning and operating energy infrastructure assets in diverse international locations, Prisma intends to focus on being a low-cost, efficient operator in the markets it serves. Prisma's anticipated objective is to generate stable cash flow, earnings per share, and dividends, and to grow each of these through growth projected within the existing portfolio of businesses. Prisma will operate through three business segments—Natural Gas Services, Power Distribution, and Power Generation. Prisma should be well-positioned to implement its planned strategy, but it will face risks both specific to its assets and general to the markets and countries in which it will operate. In addition to Bankruptcy Court approval, the transfer of the businesses described in this Disclosure Statement to Prisma will require the consent of other parties, including, but not limited to, governmental authorities in various jurisdictions. If any such consents are not obtained, then at the discretion of ENE, with the consent of the Creditors' Committee, as contemplated in the Plan, one or more of these businesses may not be transferred to Prisma, but instead will remain directly or indirectly with ENE. Refer to Section X.A.2., "Risk Factors" for further information.

a. Natural Gas Services. Natural Gas Services is expected to serve its customers through natural gas and liquids pipelines, natural gas and LPG distribution systems, LPG import terminals, and natural gas processing facilities. Generally, the assets planned to be a part of Natural Gas Services are either subject to firm contracts for their capacity (i.e., long-term transportation or processing contracts designed to provide a fixed customer fee regardless of the level of actual throughput) or are regulated and have historically provided a stable, predictable stream of cash flows. Refer to Section X.A.2., "Risk Factors" for further information on conditions and developments that could upset this stability. By utilizing and building on its initial infrastructure, Natural Gas Services will strive to capture additional throughput volumes or connect to incremental customers and, therefore, generate additional cash flows.

Specifically, Natural Gas Services is expected to consist of ownership interests in:

- nine city gas distribution companies located in South Korea providing service to over two million customers;

- LPG distribution businesses located in Venezuela and South Korea providing service, directly or through distributors, to over 2.2 million customers;

- six separate transportation businesses located in South America with a daily throughput capacity of approximately 3.2 billion cubic feet per day of natural gas spanning more than 6,000 miles; and

- NGL extraction, fractionation, refrigeration, and storage facilities located in Venezuela.

b. **Power Distribution**. It is anticipated that Power Distribution will provide retail electricity delivery to approximately 1.8 million customers in the States of São Paulo and Mato Grosso do Sul, Brazil, through subsidiary Elektro, a Brazilian local electricity distribution company. Prisma is expected to own 99.62% of Elektro.

Elektro's concession area covers 223 municipalities in São Paulo and five municipalities in Mato Grosso do Sul, encompassing approximately 56,000 miles of distribution lines. A 30-year renewable concession contract, the first term of which expires in 2028, provides exclusive distribution rights within the concession area. Elektro is a business that has historically provided a stable, predictable local currency cash flow stream with moderate growth.

São Paulo, located in the southeastern region of the country, is the most highly urbanized and industrialized state in Brazil. Its economy accounts for approximately 37% of Brazilian GDP and 33% of national electricity consumption. Elektro is the third-largest local electricity distribution company in São Paulo and the seventh-largest in Brazil.

In the period from 1990 to 2000, the overall electricity consumption in Brazil increased by a 4.4% CAGR. During the same period the electricity consumption in Elektro's concession area grew at a CAGR of 5.1%, exceeding average consumption in the southeastern region.

c. **Power Generation**. Power Generation is expected to consist of ownership interests in ten power plants. These power plants:

- have a total generating capacity of approximately 2,100 MW, with Prisma's ownership percentage representing generating capacity of approximately 1,180 MW;
- are located in Argentina, Brazil, the Dominican Republic, Guam, Guatemala, Nicaragua, Panama, the Philippines, Poland, and Turkey; and
- utilize natural gas as the primary fuel in four plants, and liquid fuel in the remainder.

It is anticipated that Power Generation will generate stable cash flows as most of the electrical capacity and energy of the power plants has been pre-sold on a long-term basis to cover all fixed and variable costs of operations, fuel costs and debt service and a return on equity capital. To the extent any generating capacity remains uncommitted, Prisma is expected to market such excess generation into available markets. Approximately 85% to 90% of the expected generating capacity of Prisma in 2003 and over the succeeding three years is fully contracted.

2. Risk Factors

Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for further information related to the risks applicable to Prisma. The risks described therein are not the only ones facing Prisma. Additional risks are also described in the individual descriptions of the businesses expected to be a part of Prisma. Other risks may not presently be known to ENE or ENE may have deemed them to be immaterial at this time. Prisma's businesses, financial condition, and results of operations could be materially adversely affected by any of these risks.

Prisma has been formed but presently owns no material assets. The Debtors and Prisma are currently seeking numerous approvals, consents, and waivers from lenders, partners, governmental authorities, and other parties to allow the businesses described in this Disclosure Statement to be transferred to Prisma in connection with the Plan. There can be no assurance that all or any of such approvals or consents can be obtained. Certain of the approvals and consents are required pursuant to applicable agreements or law to be obtained prior to the initial transfer of the businesses to Prisma and others will be triggered upon the distribution of shares of Prisma's capital stock pursuant to the Plan. Nevertheless, the Debtors and Prisma intend to obtain consents for both the initial transfer and the subsequent distribution of shares to the creditors prior to the initial transfer of each business to Prisma. The required consents and approvals generally fall into the following categories:

- *Lenders*. The many credit facilities and other debt instruments to which the businesses to be transferred to Prisma are parties often require ENE to directly or indirectly hold specified percentages of the equity interests in the business, or provide that a change of control of the business is an event of default. The lenders, including various multilateral agencies, under these credit facilities and other debt instruments must therefore consent to ENE no longer being in the chain of ownership of the transferred businesses.

- *Governmental Authorities*. Many of the businesses to be transferred to Prisma are regulated by local energy regulatory authorities, operate pursuant to concessions granted by governmental authorities or are party to agreements with governmental authorities. These regulatory and other governmental authorities often must consent to the transfer of the businesses to Prisma. Additionally, certain of the proposed transfers to Prisma are subject to review by antitrust agencies, which either must approve the transfer in advance or have the authority to impose conditions on Prisma's business following the transfer.

- *Partners*. Because ENE and its subsidiaries generally own less than 100% of the businesses to be transferred to Prisma, they are sometimes party to shareholder agreements that, among other things, require the shareholders to consent to certain transfers by a shareholder of its equity interest in the business to a third party or give the shareholders preferential purchase rights in connection with certain transfers of equity interests in the business. The preferential rights often include (1) rights of first refusal that require a party to offer to sell its equity interests to the other shareholders on the same terms on which it would be willing to sell its equity to a third party and (2) change of control purchase rights that require a shareholder that has experienced a direct or indirect change of control to offer to sell its equity interest in the business to the other shareholders. To the extent that these purchase rights are applicable to the transfer of businesses to Prisma or the subsequent distribution of shares of Prisma's capital stock, ENE expects to either offer these purchase rights to the other shareholders or ask the shareholders to waive their rights prior to the transfer to Prisma.

- *Debtors' Financing Structures*. Osprey/Whitewing and Rawhide, which are financing structures formed by ENE and its subsidiaries prior to the Initial Petition Date, have certain interests in Elektro, Centragas, Trakya, and ENS, which are expected to be transferred to Prisma. The transfer of these interests to Prisma is generally subject to the consent of the holders of the debt and equity interests in these financing structures, which may be granted in connection with an overall settlement of the various rights and obligations between ENE and each financing structure. Refer to Sections III.F.41., "Osprey/Whitewing" and III.F.42., "Rawhide" for additional information regarding the Osprey/Whitewing and Rawhide structures.

If any required approval, consent or waiver relating to the transfer of a particular business or the subsequent distribution of shares to the creditors cannot be obtained prior to the transfer of the assets to Prisma, then at the discretion of ENE, with the consent of the Creditors' Committee, as contemplated in the Plan, such business may not be transferred to Prisma and, instead, would remain, directly or indirectly, with ENE. Refer to Section X.A.3., "Transferred Businesses" for further information about businesses that would remain with ENE. As a result, it is possible that Prisma's businesses may not include all of the transferred businesses described in this Disclosure Statement. In addition, it is possible that any consents or approvals that are given could contain conditions or limitations that could adversely affect Prisma's ability to operate and manage its business, or adversely affect its financial results.

3. Transferred Businesses

a. Worldwide Asset Base. All of the businesses that are expected to be a part of Prisma are located outside the United States, except for one business located in the U.S. territory of Guam. Prisma will face different political, economic, and regulatory challenges in each of the 14 countries in which it will operate. While operating in several countries will bring many challenges, it should also help Prisma to diversify its risks and create additional expansion opportunities. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information.

b. Formation of Prisma and Contribution of Prisma Assets

Prisma was organized in the Cayman Islands on June 24, 2003 for the purpose of acquiring the Prisma Assets, which include equity interests in the identified businesses, intercompany loans to the businesses held by affiliates of ENE, and contractual rights held by affiliates of ENE. ENE and its affiliates will contribute the Prisma Assets to Prisma in exchange for shares of Prisma Common Stock commensurate with the value of the Prisma Assets contributed. The contribution of the Prisma Assets is expected to be effected pursuant to a Prisma Contribution and Separation Agreement to be entered into among Prisma and ENE and several of its affiliates. It is anticipated that the Prisma Contribution and Separation Agreement will be submitted for Bankruptcy Court approval either as part of the Plan Supplement or by a separate motion. Prisma and ENE and its affiliates also expect to enter into certain ancillary agreements, which may include a new Transition Services Agreement and a Cross License Agreement.

The employees of ENE and its affiliates who have historically supervised and managed the Prisma Assets became employees of a subsidiary of Prisma effective as of July 31, 2003. In connection therewith, as approved by the Bankruptcy Court, ENE and its affiliates entered into four separate Transition Services Agreements pursuant to which such employees will continue to supervise and manage the Prisma Assets and other international assets and interests owned or operated by ENE and its affiliates.

The ancillary agreements, together with the Prisma Contribution and Separation Agreement, will govern the relationship between Prisma and ENE and its affiliates subsequent to the contribution of the Prisma Assets, provide for the performance of certain interim services, and define other rights and obligations until the distribution of shares of capital stock of Prisma pursuant to the Plan or the sale of the stock to a third party. In addition, the Prisma Contribution and Separation Agreement or the ancillary agreements are expected to set forth certain shareholder protection provisions with respect to Prisma.

c. **Natural Gas Services**. The tables below identify the non-pipeline and pipeline businesses included in the Natural Gas Services segment and several of their key features.

Natural Gas Services Non-Pipeline Businesses

Business	Location	Anticipated Prisma Ownership Interest	Business	Date Commercial Operation Was Initiated	Scheduled Termination Date of Key Project Agreement
SK-Enron	South Korea	50.0%	Holding company for equity interests in nine CGCs, two gas facility construction and sale companies, one LPG import and marketing company and one cogeneration company	July 1978 to February 1990 (depending on business)	Not applicable
Cuiabá – TBS	Bolivia and Argentina	50.0%*	Purchase and sale of natural gas for Cuiabá-EPE	May 2002	May 4, 2019
Vengas	Venezuela	97.0%	Propane transporter and distributor	1953	Not applicable

Business	Location	Anticipated Prisma Ownership Interest	Business	Date Commercial Operation Was Initiated	Scheduled Termination Date of Key Project Agreement
Accroven	Venezuela	49.25%	NGL extraction, fractionation, refrigeration and storage facilities	July 10, 2001	July 9, 2021

* Upon the closing of the Shell Settlement. Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information.

Natural Gas Services Pipelines

Business	Location	Anticipated Prisma Ownership Interest	Route Length and Transport Capacity	Business	Date Commercial Operation Was Initiated	Scheduled Termination Date of Principal Transportation Agreements
Cuiabá – GasBol	Bolivia	50.0%	Bolivian portion of the BBPL to Bolivia-Brazil border at San Matias, 226 miles, current capacity of 95 MMcf/d	Natural gas pipeline	May 2002	November 24, 2024
Cuiabá – GasMat	Brazil	50.0%*	Bolivia-Brazil border at San Matias to EPE power plant, 175 miles, current capacity of 95 MMcf/d	Natural gas pipeline	May 2002	June 4, 2024
Transredes	Bolivia	25.0%	A network of pipelines in Bolivia with connections to Brazil, Argentina and Chile, approximately 1,800 miles of gas pipeline, 1,700 miles of liquids pipeline	Natural gas and liquids pipeline network	May 1997 (formation)	2003 to 2019
BBPL – GTB	Bolivia	17.0% and 12.75% through its partial ownership of Transredes	Rio Grande to Mutun, approximately 350 miles, current capacity of approximately 1.1 Bcf/d	Natural gas pipeline	July 1999	TCQ 2021 TCX 2021 TCO 2041

Business	Location	Anticipated Prisma Ownership Interest	Route Length and Transport Capacity	Business	Date Commercial Operation Was Initiated	Scheduled Termination Date of Principal Transportation Agreements
BBPL – TBG	Brazil	4.0% and 3% through its partial ownership of Transredes	Corumbá to Porto Alegre, approximately 1,600 miles, nominal capacity of 30 MMcm/d of gas	Natural gas pipeline	July 1999	TCQ 2021 TCX 2021 TCO 2041
Centragas	Colombia	50.0%	Ballena to Barrancabermeja, 359 miles, maximum capacity of 200 MMcf/d	Natural gas pipeline	February 24, 1996	February 24, 2011

* Upon the closing of the Shell Settlement. Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information.

As indicated above, each of the Natural Gas Services businesses that is expected to be included in Prisma has been completed and has initiated commercial operations.

(i) SK-Enron Co., Ltd. (SK-Enron). ENE indirectly owns 50% of the outstanding shares of SK-Enron. The other 50% of SK-Enron's outstanding shares are owned by SK, which in 2002 was the third-largest business group, or *chaebol*, in South Korea. SK-Enron is a holding company for 100% of the outstanding shares of seven privately held CGCs and a cogeneration company in South Korea, as well as leading or controlling stakes in two publicly traded CGCs and an LPG importing and marketing company in South Korea. In addition, each of the two publicly traded CGCs has a subsidiary company that is engaged in the construction of gas facilities and sale of gas equipment. Under its holding company structure, SK-Enron conducts substantially all of its LPG and natural gas delivery operations through its subsidiaries and controlled affiliates and provides primarily shared support services through the holding company.

SK-Enron's affiliates operate in three businesses: (1) city gas distribution, which represented 52% of SK-Enron's 2002 revenues under Korean GAAP accounting (which consolidates the revenues of all subsidiaries in which the parent company has at least a 30% ownership interest); (2) LPG import and marketing, which represented 47% of SK-Enron's 2002 revenues under Korean GAAP accounting; and (3) cogeneration.

(A) City Gas. Each of SK-Enron's nine CGCs is a publicly-regulated utility with an exclusive franchise to engage in the distribution of natural gas (and in one case, a mixture of LPG and air) to retail, commercial, and industrial customers in its respective franchise area, with certain limited exceptions. To this end, each of SK-Enron's CGCs owns distribution pipelines for transporting natural gas from the national trunk pipeline transmission system owned by KOGAS, the national monopoly natural gas wholesaling company, to the CGC's customers. Under the South Korean regulatory structure, CGCs operate on a regulated rate of return basis. The prices at which CGCs purchase gas are set by KOGAS and approved by the South Korean Ministry of Commerce, Industry and Energy, while local regulatory authorities set the tariffs for retail gas distribution. Regulated retail tariffs are designed to include full pass-throughs of fuel, operating, and capital costs plus a regulated rate of return on investment.

(B) LPG. SK-Enron's subsidiary, SK Gas, is one of the two leading LPG importing and marketing companies operating in South Korea and supplied approximately 25% of domestic LPG consumption by volume in 2002. Approximately 57% of SK Gas's 2002 revenue was generated through the retail sale of LPG to refineries, industrial customers, and petrochemical companies and through wholesale sales to CGCs and other retailers. The balance of its 2002 revenue was generated through LPG trading activities. SK Gas owns and operates two large LPG receiving terminals and one of the world's largest single underground storage rock caverns.

(C) Cogeneration. Iksan Energy is a 20-MW coal-fired cogeneration facility which serves 32 steam offtakers and supplies power to Korea Electric Power Company, the national power company of South Korea.

(D) City Gas Distribution. South Korea currently has a total of 32 CGCs. As of May 2003, SK-Enron was the largest gas distribution business in South Korea. The nine CGCs affiliated with SK-Enron supplied approximately 25% of total domestic city gas demand in 2002, providing service to over two million customers. The SK-Enron CGCs provide service to all or a portion of three of the four largest cities in South Korea. The customer mix is split among residential, industrial, and commercial and varies among the individual CGCs. Historically, however, the higher margin residential segment has comprised approximately 50% of total volume. The SK-Enron CGCs purchase all of their supplies of gas from KOGAS as regassified LNG for delivery by pipeline pursuant to long-term contracts. In certain of the jurisdictions in which the SK-Enron CGCs operate, the CGCs are subject to local government regulations that require them to provide gas supply to customers upon request. However, these requirements are subject to a number of broad exceptions, including force majeure, technical difficulty in providing connections and faulty supply facilities. As a result, SK-Enron CGCs are largely exempt from liabilities to customers in their franchise areas for failure to provide service under these circumstances.

(E) Industry Overview. South Korean natural gas demand is split between the electricity sector (33% of total volume in 2002) and the city gas sector (67% of total volume in 2002). South Korea currently relies on imported LNG to meet its entire demand for natural gas. Residential customers are the largest consumers of CGC-delivered natural gas, comprising approximately 60% of total volume in 2002. Due to higher gross tariffs applied to residential customers based on a uniform cost of gas, residential customers provide higher profit margins than industrial, commercial, or other customers. The total number of households supplied with natural gas by CGCs has increased from 6.5 million households in 1998 to 9.4 million in 2002 and is forecasted by the Korean City Gas Association to increase to almost 10.6 million by 2004. LPG consumption in 2002 was divided among household and commercial activities (32%), petrochemical and industrial activities (21%), transportation fuels (45%), and city gas (2%). LPG is growing in importance in South Korea as a transportation fuel, the largest sector usage.

(F) Shareholder Arrangements. When SK-Enron was formed in 1999, SK and Enron Korea entered into a Shareholders Agreement that defines, among other things, certain rights of first refusal, buy-sell rights, and consent rights to transfer by each shareholder, which by their terms do not apply in connection with upstream transfers such as the transfer of ENE's interests to Prisma. The Shareholders Agreement provides, among other things, that the Board of Directors is split equally between SK and Enron Korea nominees, certain executive positions rotate periodically between SK and Enron Korea nominees, and certain SK-Enron actions require prior board approval. The Shareholders Agreement governs the treatment of certain business activities and opportunities and provides, subject to certain exceptions, that neither shareholder nor its affiliates may pursue any of SK-Enron's primary business activities outside of SK-Enron without the other shareholder's consent. Restrictions also apply to certain other business opportunities.

(G) Dividends. Although its organizational documents do not prohibit dividends, SK-Enron's Shareholders Agreement expresses a preference to minimize dividends unless the parties otherwise agree. Historically SK-Enron has reinvested its earnings, and its Board of Directors has not declared any dividends.

(H) Shareholder Disputes. In connection with a dispute between SK and Enron Korea over certain matters, including alleged activities resulting in the failure of a proposed sale by Enron Korea of its interests in SK-Enron to close in 2002 and the subsequent abandonment of the transaction by the potential buyer, Enron Korea sent a pre-arbitration notice to SK under the Shareholders Agreement. SK and Enron Korea have not proceeded further with the arbitration process. SK previously obtained an order from a South Korean court permitting SK to place a "preliminary attachment" lien on Enron Korea's shares in SK-Enron to secure certain claims, and although the period for enforcement of the lien has lapsed, there can be no assurance that SK will not again seek to place a lien on Enron Korea's shares in SK-Enron. Refer to Section XIV.I.1.f., "Difficulty Enforcing and Defending Contractual and Legal Rights" for further information. In any event, a lien on Enron Korea's shares of SK-Enron would not affect ENE's ability to transfer its interest in SK-Enron to Prisma.

(I) SK Issues. As a result of investigations into certain business activities by the Seoul District Public Prosecutors, accounting irregularities were reportedly discovered in early 2003 at one of SK's affiliates, SK Global, which engages in worldwide trading operations on behalf of members of the SK group. As a result of this disclosure, SK Global has been placed under a bank-supervised workout program, and SK Global's U.S. subsidiary filed for bankruptcy protection in the U.S. in July 2003. SK Global's main creditor banks have reportedly requested that the stronger units of the SK group, including SK, provide financial support to SK Global. Because SK is dependent on these banks for trade financing, it might be unable to fully distance itself from a bank-led reorganization of SK Global and so may be required to contribute such financial support. This situation has been further exacerbated by reported reductions in bank lines of credit to SK group companies by banks and investment trust companies. These events led to a decision by S&P Rating Services to lower its long-term credit rating on SK, and there can be no assurance that SK will not suffer further deteriorations in its credit rating. In addition, news articles have indicated that SK Shipping, another affiliate of SK, may also face financial difficulties due to alleged accounting irregularities. None of the ongoing investigations involve SK-Enron or Enron Korea, and SK-Enron and its operations have not been significantly affected by these events to date. However, no assurances can be given that the issues surrounding SK will not adversely affect SK-Enron in the future.

(J) Associated Debt. SK-Enron has financed, and currently expects to continue to finance, its and its subsidiaries' ongoing operations and any subsequent acquisitions primarily from cash flows. SK Gas incurred a substantial amount of secured term debt in connection with the construction of certain storage and processing facilities, with liens securing that debt equal to approximately 48% of the total book value of the underlying SK Gas assets as of December 31, 2002.

(K) Property, Plant and Equipment. Each of the SK-Enron CGCs owns a network of lateral pipelines connecting to KOGAS transmission lines, distribution pipelines, and related facilities for distributing gas to its customers. The SK-Enron CGCs own altogether a total of approximately 5,600 kilometers of pipe. SK Gas owns two LPG receiving terminals that serve as domestic import and distribution hubs and as loading facilities for transferring cargos from large ocean-going ships to smaller coastal trading ships. Iksan Energy owns a coal-fired cogeneration facility, which serves 32 steam offtakers and supplies power to Korea Electric Power Company. SK-Enron and its subsidiaries also own or lease offices for their operations for varying periods.

(L) Competition. Although the geographic franchise grants to CGCs are exclusive, some competition exists in certain CGC territories from government-supported local district heating companies. Service areas in which local district heating companies operate are significantly less profitable for SK-Enron CGCs. CGCs provide gas solely for cooking in such areas instead of gas for cooking and heating, but with similar capital investment in distribution. In areas being served by local district heating companies, informal political pressure has occasionally been brought to bear on SK-Enron CGCs to provide cooking gas service at a loss. Although SK-Enron CGCs historically have been able to avoid being required to provide services under these circumstances, no assurance can be given that they will be able to continue to do so. SK-Enron CGCs might therefore be compelled to provide cooking gas services in the future at a loss, which could be material. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information.

LPG is more expensive than natural gas on an equivalent BTU basis in locations served by natural gas, but serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Historically, the expansion of natural gas into traditional LPG markets has been inhibited by the capital costs required to expand pipeline and retail distribution systems. The LPG import, distribution, and marketing sector has significant barriers to entry, due primarily to the cost of investment in storage.

(M) Regulation. South Korea currently relies on imported LNG to meet its entire demand for natural gas. At present, KOGAS controls all importation of LNG. As a general matter, domestic prices for wholesale gas sales to CGCs are set by KOGAS every two months, subject to review and approval by the South Korean Ministry of Commerce, Industry and Energy. Those CGCs that are not connected to the national trunk pipeline system rely on LPG supplied by SK Gas and other LPG wholesalers, which is then vaporized, mixed with air, and delivered to customers.

The South Korean Ministry of Commerce, Industry and Energy announced a gas industry restructuring plan in 1999 that is designed to result in wholesale and retail market competition, open access distribution systems, and customer choice of gas supplier. Although gas industry restructuring has been delayed, and certain early deadlines have already been missed, this proposal remains the current government plan for gas industry restructuring in South Korea. Transportation of gas is expected to be regulated under an "open access" scheme in which independent gas transporters would have the right to use the existing gas pipeline system upon payment of regulated tariffs, while pipeline system owners, which include the CGCs, would be protected from competition in transportation.

The South Korean Ministry of Commerce, Industry and Energy regulates the CGCs by regulating the operating costs that are recoverable from their customers and by providing guidelines for "proper margins" between wholesale and retail. These regulations are interpreted and implemented by the respective provincial tariff-setting authorities, which conduct annual tariff reviews for each CGC. The CGCs are generally permitted to pass-through KOGAS charges, which are the largest component of the tariff. Historically, a lack of specificity in the national regulations concerning tariff calculation methodologies has left considerable room for negotiation of rates with the provincial regulatory authorities, and many of these determinations have been very political and heavily negotiated. However, since 2001 the scope for negotiation of rates at the provincial level has been more limited due to the promulgation of more restrictive guidelines for such negotiations by the South Korean Ministry of Commerce, Industry and Energy. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information.

In 2001, South Korea deregulated the LPG marketing and import business. SK Gas operates in the unregulated wholesale LPG market and is not subject to regulated tariffs. SK Gas supplied about 25% of total LPG demand in South Korea in 2002. Iksan Energy sells steam under contract to its offtakers, but electricity sales to Korea Electric Power Company are at the regulated market clearing price.

(N) Relations with Affiliates. SK Gas sells a substantial amount of LPG to SK, and SK Gas has historically carried an outstanding receivable of approximately $30 million from SK and certain of its affiliates other than SK-Enron and its subsidiaries. In addition, SK Gas has contracted with SK Shipping, an SK affiliate that reportedly may face financial difficulties, to supply substantially all of SK Gas's long-term LPG shipping capacity needs. If SK Shipping is unable to provide transport services for SK Gas, SK Gas would be required to replace such capacity with shipping contracts with third parties. There can be no assurance that SK Gas would be able to replace any or all of such capacity in a timely manner at rates and on other terms as favorable to SK Gas as its current contracts with SK Shipping.

(O) Holding Company Status & Taxation of Dividends. SK-Enron is structured as a holding company to take advantage of recent changes in South Korean law that facilitate the ability of members of a corporate group to pay dividends within the group. Prior to the enactment of these laws, the *chaebols* avoided holding company structures and dividends to move cash between group companies, loaning cash to related parties instead. However, the specified proportions of dividends received from subsidiaries of a company are now permitted to be excluded from the receiving company's income, subject to certain limitations. Due to certain cross-holdings among its subsidiaries and certain outstanding debt obligations of SK-Enron incurred in connection with acquisition of some of its subsidiaries, SK-Enron currently loses approximately 12% of the available dividend exclusion.

(ii) Transborder Gas Services, Ltd. (Cuiabá – TBS). Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information.

(iii) Vengas, S.A. (Vengas). Vengas is the largest distributor of LPG in Venezuela and has been in operation since 1953. Vengas has approximately 2,000 full-time employees, a substantial majority of whom are unionized. Vengas believes it serves an estimated 40% of the Venezuelan LPG market by volume, mostly through the distribution of Vengas brand LPG directly to approximately 2.2 million customers and through 85 sub-distributors and the remaining through sales of non-Vengas brand LPG through other channels. Vengas's direct customers include a network of approximately 7,500 "rack dealers" that sell LPG in small cylinders to an even greater number of individual customers.

Vengas's sole supplier of LPG is PdVSA at rates that are regulated by the Ministry of Energy and Mines. PdVSA is Venezuela's sole producer of LPG. Sales by Vengas to its residential customers, which represent approximately 90% of its sales, are also regulated by the Ministry of Energy and Mines. Vengas's costs and sales revenues are all in Venezuelan bolivars. Vengas has no long-term debt.

Vengas also owns a 99.19% interest in CALIFE, a Venezuelan utility. CALIFE distributes electric power to approximately 50,000 customers in the Venezuelan municipalities of Puerto Cabello and Morón and surrounding areas, with total electricity sales of 336 GWh in 2002. Vengas is seeking an orderly exit from CALIFE and the electricity distribution business because it is non-core to Vengas's LPG business and has historically suffered losses.

Vengas is 97% owned by ENE through its indirect subsidiary V. Holdings. The remaining 3% of the outstanding shares have been publicly held and traded on the Caracas Stock Exchange since 1993. ENE, through V. Holdings, controls the Board of Directors of Vengas. Dividends are approved by Vengas's shareholders on a yearly basis after receipt of audited financial statements prepared in accordance with Venezuelan GAAP. Since Vengas is listed on the Caracas Stock Exchange, it is required by Venezuelan law to declare at least 50% of its net earnings after income taxes and legal reserves as dividends and to pay at least 25% of this amount in cash. V. Holdings also owns 100% interests in Java and Finven. Finven was created to hold 35% of ENE's 85% indirect interest in SECLP.

Venezuelan capital markets laws may require a tender offer to be made prior to certain transfers of interest in Venezuelan companies. Vengas has consulted local counsel and does not believe any tender offer requirements will be triggered by the transfer to Prisma and related transfers.

(A) Industry Overview. LPG is the main source of heating and cooking fuel in Venezuela. Electric energy and natural gas are potential competitors, but electricity has been more expensive and the natural gas infrastructure is insufficiently developed. These alternatives therefore have not posed a competitive threat to LPG sales. The Venezuelan LPG market is divided into the regulated residential and unregulated commercial and industrial sectors. The LPG market is mature, and LPG consumption has generally correlated with population and economic growth in Venezuela. Vengas estimates that the LPG market had modest sales declines in 2001 and 2002, which are generally attributable to deteriorating economic and political conditions in Venezuela and PdVSA supply disruptions that began in December 2002 and continued through the first quarter of 2003, resulting from national strikes.

The LPG market in Venezuela has four primary sectors—supply, transport, filling, and distribution. The LPG supply chain begins at one of eight PdVSA-owned supply plants located throughout Venezuela. The LPG is transported from these facilities in specially designed heavy-duty vehicles to the filling plants, where it is stored and distributed to various LPG companies for distribution to end users. The filling plant sector stores LPG received from the PdVSA-owned supply plants and distributes the LPG to the distribution companies that operate in different localities or regions. At present, there are 29 companies, including Vengas, that operate the 74 filling plants throughout the country. The distribution sector transports LPG from the filling plants to the end user. There are 280 distribution companies. In 2002, Vengas believes that it distributed approximately 40% of all LPG in Venezuela and believes that Digas-Tropiven S.A., the second largest Venezuelan LPG distributor, distributed approximately 18% of the LPG sold in the country. Vengas and Digas-Tropiven S.A. are the only distributors that operate on a national basis. The remainder of the market is highly fragmented and commonly served by small to medium-sized family-owned businesses that limit distribution to a specific region or city.

(B) Property, Plant and Equipment. Vengas transports LPG from PdVSA's eight LPG processing and refinery plants located throughout Venezuela to Vengas's 25 filling plants using its fleet of 82 hauling trucks. Vengas owns its head offices in Guarenas and 24 out of its 25 filling plants. At the filling plants, Vengas fills its 3.5 million cylinders and its 52 bulk distribution trucks. Full cylinders are loaded onto Vengas's fleet of approximately 460 cylinder distribution trucks for delivery directly to customers, or for the smaller 10 kilogram cylinders, to a network of approximately 7,500 rack dealers. Vengas's bulk distribution trucks are used to transport LPG to fill bulk tanks installed at customer locations. In addition, Vengas owns approximately 9,600 storage tanks. Vengas leases 26 of its 38 branch offices and all of its sales offices.

Until March 2003, Vengas manufactured and repaired all of its cylinders at its cylinder factory. Vengas typically manufactured in excess of 200,000 new cylinders and repaired more than 300,000 cylinders per year. The factory was shut down, however, after Vengas determined that it would be more cost-effective, at least in the short term, to buy rather than manufacture cylinders and to outsource repairs of cylinders. As a result, Vengas is currently purchasing its cylinders and obtaining repair services from a third party that supplies the entire Venezuelan market. If the supplier does not deliver an adequate number or quality of cylinders, Vengas's operations could be adversely affected. Vengas is maintaining its cylinder factory and may reopen it if economic conditions or reliability concerns make it desirable to do so.

(C) Customers. Vengas's overall sales by volume declined by 2% in 2001 and by 5.8% in 2002, principally due to deteriorating economic and political conditions in Venezuela and PdVSA supply disruptions that began in December 2002 and continued through the first quarter of 2003. Refer to Section XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" for further information on the risks related to political instability, civil unrest and regime change. Those events had a greater effect on commercial and industrial demand, which fell more than residential demand. Approximately 77% of Vengas's 2001 total sales and 80% of Vengas's 2002 total sales of LPG by volume were of Vengas brand LPG to residential customers at regulated rates. Approximately 13% of Vengas's 2001 total sales and 12% of Vengas's 2002 total sales of LPG by volume were of Vengas brand LPG to commercial and industrial bulk customers at non-regulated rates. The remaining 10% of Vengas's 2001 sales and 8% of Vengas's 2002 sales of LPG by volume were attributable to the sale and distribution of non-Vengas brand LPG.

(D) Supplier. Vengas purchases LPG on an as-needed basis from PdVSA at the tariff set by the Ministry of Energy and Mines. Vengas does not have any long-term LPG supply agreements with PdVSA. If PdVSA were to fail to supply LPG to Vengas, the only alternative would be to import LPG, which Vengas has never done and may be unable to do. Refer to Section XIV.I.2.c., "Concentration of Customers and Suppliers" for a discussion of the risks created by reliance on a limited number of suppliers.

Because of the importance of PdVSA to the total Venezuelan economy, and because it is state owned, it is highly impacted by political events. In December 2002, opponents of President Chávez organized a nationwide strike to call for an early referendum on the President's rule. The strikers nearly shut down the country's oil industry, drastically reducing the production of Venezuelan oil and its delivery to internal and external markets. Supply of LPG to Vengas was reduced to less than half. President Chávez declared the strikers' demands unconstitutional and enlisted the help of the military to maintain production. Since coming into office, President Chávez has severed or replaced approximately 17,000 employees, mostly management, of PdVSA's approximately 40,000 total employees. Refer to Section XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" for a discussion of the risks presented by political instability, civil unrest, and regime change.

(E) Regulatory Environment. On October 1, 2000, the Ministry of Energy and Mines issued three permits to Vengas that authorize Vengas to transport and distribute LPG and manufacture, repair, and maintain LPG cylinders and tanks. These permits were granted with a term of 35 years, renewable for an additional 30 years, but may be revoked under certain extenuating circumstances, including upon the transfer of a permit without proper authorization from the Ministry of Energy and Mines or non-compliance with applicable provisions of law or the terms of the permit itself.

(F) Tariffs. The Ministry of Energy and Mines sets both the prices at which PdVSA sells LPG to distributors and the prices at which distributors sell LPG to residential consumers. Prices are not regulated for sales to the commercial and industrial sectors. The Venezuelan government heavily subsidizes the residential sector, often using PdVSA as a vehicle, because LPG represents a basic utility to a large percentage of the Venezuelan population. If this subsidy is discontinued, demand for LPG will likely decrease. The Ministry of Energy and Mines is required by regulation to set tariffs on a quarterly basis to achieve a target gross margin based on the operating costs of the "average" LPG distribution company. Despite this requirement, tariffs were increased by 16% in April 2002 for the first time in approximately 18 months. Effective December 1, 2002, tariffs at which Vengas sells LPG were increased by an additional 22%, and tariffs at which Vengas buys LPG from PdVSA were increased by 2%. Neither of the most recent increases, however, fully reflected accumulated inflation. Due to inflation, Vengas and the national LPG trade association are required frequently to petition the Ministry of Energy and Mines for tariff rate increases. At the same time, the Venezuelan government is under considerable political pressure from low-income constituents not to increase the price of any basic commodity, including LPG, and could likely continue to resist tariff increases. The Venezuelan government could potentially take other measures, such as establishing LPG cooperatives to compete with private LPG distributors or deregulating LPG tariffs. Because the regulatory mechanism has been inconsistently applied, Vengas is subject to price risk and no assurance can be given that the Ministry of Energy and Mines will provide for adequate margins. Refer to Sections XIV.I.1.a., "International Economic Slowdown" and XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information about the risks related to political and regulatory pressures on energy costs and tariffs.

(G) New Foreign Exchange Control Regime. In February 2003, the Venezuelan government announced the enactment of a foreign exchange control regime that restricts the convertibility and repatriation of foreign exchange and sets specified bolivar/dollar exchange rates. The specified exchange rates can be changed by the agency in charge of the regime and were changed in June 2003. All sales and purchases of foreign currency are required to be made through the Venezuelan central bank or a pre-approved commercial bank. In addition, private parties are required to sell any foreign currency they hold in certain cases. Vengas does not believe it fits into any of the categories that would require it to sell any foreign exchange it holds. While the framework of the new regime has been created, the government has not issued regulations required to implement the new laws. As a result, only a limited amount of currency has been exchanged under the new regime. If the specified exchange rate is further changed or if the exchange rate is allowed to float, Vengas may suffer exchange rate losses if it is unable to convert any excess bolivars it holds for some period and the bolivar devalues against the U.S. dollar during the period of inconvertibility. Vengas has not been approved to exchange currency under the new regime. In June 2003 it was required to use offshore dollar reserves to pay dividends. In August 2003, the Venezuelan government began offering dollar denominated sovereign debt that may be purchased with bolivars at the official exchange rate. Vengas purchased approximately 13 billion bolivars of Venezuelan debt and anticipates trading them in the secondary market at some point for dollars. This method of exchanging bolivars for U.S. dollars will cause Vengas to incur broker and related payments and also exposes Vengas to the additional risk that the value of the Venezuelan debt in the secondary market at the time of sale will be less than its purchase price. Refer to Sections XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" for further information about the risks related to currency devaluations and exchange controls.

(H) Inflation and Devaluation Impacts on Venezuelan Tax Liability. Vengas's accounts are required to be adjusted for inflation under Venezuelan GAAP and Venezuelan tax laws. These adjustments and revaluations have a direct impact on the amount of Venezuelan income taxes paid. In general, the values of Vengas's non-monetary assets (i.e., physical plant and equipment), liabilities, and equity accounts are adjusted on its balance sheet by the rate of inflation and the resulting increase or decrease is required to be reflected as income or loss, respectively, on Vengas's income statement. Both of these impacts can cause sizeable variations in the reported Venezuelan GAAP results on a year-to-year basis, the amount of Venezuelan taxes owed and dividends even while cash flow to the company remains stable.

(iv) Accroven, S.R.L. (Accroven). ENE owns an indirect 49.25% equity interest in Accroven, a Barbados company. Through its Venezuelan branch, Accroven owns and operates a fee-based NGL extraction, fractionation, storage, and refrigeration project. The other owners of Accroven are Williams International Venezuela Limited with a 49.25% interest and Tecnoconsult S.A. with a 1.5% interest.

The project commenced commercial operations in July 2001 and consists of facilities located in San Joaquin, Santa Barbara, and Jose, Venezuela. The San Joaquin and Santa Barbara facilities are NGL extraction plants with a combined total processing capacity of 800 MMcf/d (representing approximately 17% of Venezuela's total gas processing capacity). The Jose facilities consist of one NGL fractionation plant with a total processing capacity of 50 MBb1/d (representing approximately 18% of Venezuela's total NGL processing capacity), one propane compression refrigeration facility, two refrigerated storage tanks, and one pressurized storage sphere. The facilities are located on property owned by PdVSA Gas and leased to Accroven pursuant to servitude agreements that terminate in July 2021.

(A) Members' Agreement. Accroven is governed by a board of up to six managers. Each of Accroven's members is a party to a Members' Agreement under which EIV, an affiliate of ENE, and Williams International Venezuela Limited each appoints three managers.

The Members' Agreement contains preferential purchase rights, change-of-control provisions, and certain limitations on a member's transfer of its interest in Accroven. The Members' Agreement provides for dividend distributions on a quarterly basis or as frequently as possible (if less than quarterly) of all funds other than any legal solvency requirements, reserves required by Accroven's creditors, or reserves determined as reasonably necessary by its managers.

(B) Customer. Accroven's sole customer is PdVSA Gas, which purchases extraction and fractionation services and storage and refrigeration services from Accroven under two 20-year services agreements terminating in July 2021 and governed by Venezuelan law. PdVSA Gas's obligations under the services agreements are guaranteed by PdVSA. All hydrocarbons processed by Accroven pursuant to the services agreements are supplied by and belong exclusively to PdVSA Gas. Refer to Sections XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" and XIV.I.2.c., "Concentration of Customers and Suppliers" for further information about the risks related to reliance on a limited number of customers.

The tariffs under the services agreements are primarily denominated and paid in U.S. dollars. They are intended to allow recovery of and to provide a return on Accroven's capital cost investment and to cover O&M expenses incurred. PdVSA Gas is obligated to make tariff payments under the services agreements as long as the relevant facilities are available unless there is a force majeure event. PdVSA Gas had been current in all payments under the services agreements until December 2002, when almost 17,000 of the 40,000 employees at PdVSA and PdVSA Gas were severed when they went on strike to protest policies of the Venezuelan government. On other occasions since the strike, PdVSA Gas has been delinquent in its payments for short periods of time because of administrative problems. Presently, PdVSA Gas is current in its payments. Refer to Section XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" for further information.

Under the services agreements, PdVSA Gas is further obligated to supply fuel and other standard utilities, such as water and electricity, to Accroven. PdVSA Gas automatically deducts the charge for electricity from its monthly payments to Accroven. Since November 2001, Accroven has disputed the amount and method by which PdVSA Gas has calculated the electricity charge. Accroven is working to resolve this issue with PdVSA Gas. A failure to reach a resolution could have a material adverse effect on Accroven.

As required by the services agreements, ENE has posted bonds in favor of PdVSA in the aggregate amount of $32.5 million. Prisma may be required to replace these bonds, which may need to be cash collateralized.

The services agreements may be terminated due to an event of default or a force majeure event. Depending upon the cause of termination, PdVSA Gas may acquire the project facilities or all of the equity interest in Accroven or Accroven may decommission the facilities or sell them to PdVSA Gas. The amount that would be received in payment for any such sale would vary depending on the cause of termination.

(C) Associated Debt. The total cost of the project as of June 30, 2003 was $438.8 million and was financed by $200 million in loans from OPIC, which mature in May 2016, $132.3 million in loans from Eximbank, which mature in June 2013, and member equity contributions totaling $106.5 million. The OPIC facility is divided into two tranches and has been fully drawn. Tranche 1 was drawn for $90 million with a fixed interest rate of 6.60% and Tranche 2 was drawn for $110 million with a fixed interest rate of 6.99%. The OPIC spread for each tranche is 2%. This will increase to 2.5% for each tranche when the project reaches its completion date (as defined in the loan documents). As of June 30, 2003, approximately $175.3 million remained outstanding. Only $132.3 million of the $134,885,288 Eximbank facility was drawn. The Eximbank facility carries a fixed interest rate of 7.22%. As of June 30, 2003, approximately $119.1 million in principal was outstanding.

The OPIC and Eximbank credit facilities are secured by a lien, governed by New York law, on Accroven's contracts and accounts, a mortgage, governed by Venezuelan law, on the project facilities, and a pledge of the quotas in Accroven held by its members. The credit facilities impose a number of contractual restrictions, including, among others, restrictions on transfers of interest in Accroven and the payment of dividends.

ENE's bankruptcy and the failure by the ENE-affiliated contractors to achieve completion of the project under the loan documents led to defaults under the OPIC and Eximbank credit facilities. In June 2003, Accroven executed agreements with its lenders to obtain waivers of such defaults and to specify revised criteria that must be satisfied to achieve completion of the project (as defined in the loan documents), an event that must occur before dividends can be paid.

In February 2003, the Venezuelan government announced the enactment of a foreign exchange control regime that restricts the convertibility and repatriation of foreign exchange and sets specified bolivar/dollar exchange rates. Because Accroven is a Barbados company whose revenues are primarily in dollars paid to its accounts in New York, Accroven does not expect to be significantly affected by the new foreign exchange control regime.

(v) GasOriente Boliviano Ltda. (Cuiabá – GasBol). Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information.

(vi) GasOcidente do Mato Grasso Ltda. (Cuiabá – GasMat). Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information.

(vii) Transredes – Transporte de Hidrocarburos S.A. (TRSA) and the Bolivia-to-Brazil Pipeline (BBPL). TRSA provides domestic and export hydrocarbons transport and associated activities in Bolivia through its ownership and operation of approximately 1,800 miles of gas pipelines and approximately 1,700 miles of liquids (crude oil, LPG, NGLs, and diesel) pipelines. ENE owns an indirect 25% equity interest in TRSA through ownership of a 50% equity interest in TRH. TRSA owns 51% of GTB, which owns the Bolivian portion of the BBPL, and performs site operations and various other contracted services to GTB. TRSA owns 12% of TBG, which owns the Brazilian portion of the BBPL.

TRSA holds four 40-year concessions granted by the Bolivian government that permit TRSA to provide non-exclusive hydrocarbons transportation services for the domestic and export natural gas and liquids markets. TRSA has firm and interruptible transport contracts for service on each of the four concessions. The firm contracts all provide for ship-or-pay charges equal to approximately 97% of the total charge. The charges for the regulated interruptible tariff are the same as those for the firm tariff, but the interruptible tariff is paid on a usage basis.

TRH was created by ENE and Shell to acquire a 50% interest in TRSA in May 1997 in a closed-bid auction held by YPFB, the Bolivian state-owned oil and gas company. The winning bid, representing an investment commitment of $263.5 million, gave TRH a 50% ownership interest in TRSA, together with management control. Of the remaining 50% equity interest in TRSA, approximately 34% is held almost equally between two Bolivian pension funds, 9.66% is held by an affiliate of GECC, and the balance is held by other investors. TRH nominates four of TRSA's seven board seats. The Bolivian pension funds currently nominate three seats between them. TRSA is listed on the Bolivian Stock Exchange under the symbol TRD1U.

(A) Industry Overview. Much of Bolivia's major natural gas discoveries have come since 1998; however, only a small portion of these discoveries have been developed due to limited markets. Brazil is Bolivia's only current major export market, but even in Brazil export growth has slowed because of economic and other conditions in Brazil affecting the development and dispatch of thermoelectric power generation plants.

In the spring of 2003, a consortium led by Petrobras completed construction of Transierra, a natural gas pipeline that extends from the gas fields in southern Bolivia to Rio Grande. This line roughly parallels a pipeline owned by TRSA. At the present time the combination of the two pipelines provides the industry with a surplus of capacity. Petrobras has recently requested the Gas Supply Agreement between Petrobras and YPFB be renegotiated in an effort to reduce the price and the minimum take or pay quantities of gas Petrobras must purchase. If Petrobras is successful in reducing the quantities of gas it must purchase, there will be mid-term imbalance between the transportation capacity purchased by the producers and the amount of gas purchased under the Gas Supply Agreement. Although TRSA has firm, long-term contracts with its customers, the excess contracted capacity may result in efforts by some or all of the producers to reduce their capacity on either TRSA's pipelines or the Transierra pipeline. Other than the TRSA pipelines and the Transierra line, there are no other significant pipeline systems in Bolivia.

A Shareholder Agreement between affiliates of ENE and Shell governs the ownership and control of TRH. Under the Shareholder Agreement the parties agree that all actions of TRH shall be made by mutual consent of such affiliates of ENE and Shell. Additionally, each shareholder is granted a right of first refusal to acquire the other shareholder's ownership interest in TRH if said party or its affiliate seeks to sell or otherwise transfer its interest in TRH to a third party. Each shareholder also has a right of first refusal to purchase the ownership interest held by the other shareholder if such shareholder or its affiliate experiences a change of control. Further, if either party seeks to acquire an additional ownership interest in the BBPL, such party must offer to the other party the right to purchase 50% of such interest. Refer to Section XIV.I.3.c., "Transfer Restrictions" for further information.

With respect to TRSA, in general, all decisions involving commitments in excess of $250,000 are reviewed by ENE and Shell and both parties must agree on the guidance that they will give the senior management team of TRSA with respect to feasibility and desirability of the recommendation. ENE has the contractual right to appoint the President of TRSA, and Shell has the right to appoint the Chief Financial Officer. Other officers are appointed as mutually agreed by ENE and Shell.

(B) Associated Debt. As part of the acquisition from YPFB of the 50% interest in TRSA, TRSA was required to assume outstanding indebtedness owed by YPFB. As of December 31, 2002, this debt totaled approximately $111.3 million in eight different tranches with varying payment schedules and maturities ranging from December 31, 2004 to June 30, 2032. In June and September 2001, TRSA issued bonds in an aggregate principal amount of $155 million. Twenty million dollars of the bonds mature on each of July 3, 2004, June 8, 2005, June 3, 2006, and May 29, 2007, and $75 million mature on August 6, 2009.

TRSA is seeking to obtain IDB/CAF financing in 2003. If obtained, this financing is intended to be used to fund capital expenditures. Two multilateral agencies recently agreed to participate in a $220 million facility with TRSA. TRSA expects to close this facility in the fourth quarter of 2003. TRSA's failure to obtain this financing could result in delays of planned capital expenditures or limit TRSA's ability to pay dividends for the foreseeable future.

(C) Customers. TRSA's gas pipeline network has a total capacity of approximately 690 MMcf/d. For 2003, TRSA has firm contracts totaling 639 MMcf/d. TRSA's transportation of liquids is largely associated with the production of natural gas and the customer base is very similar. The chart below lists TRSA's gas transportation customers and firm gas contract volumes from 2002 through 2007.

Firm Gas Contract Volumes as of July 2002

MMcm/d

(To obtain MMcf/d multiply figures below by 35.315)

Gas Firm Contract by Customer	2002	2003	2004	2005	2006	2007
Chaco	3.1	3.1	3.1	3.1	3.1	2.6
Andina Maxus	3.6	3.9	3.0	3.0	3.0	3.0
Pecom	1.0	1.1	1.1	1.2	1.2	1.2
BG	3.5	2.1	2.1	1.5	1.5	1.5
Vintage	0.6	0.8	0.4	0.0	0.0	0.0
TBS	1.1	1.1	1.1	1.1	1.1	1.1
Petrobras	3.0	6.0	6.0	6.0	6.0	6.0
Total Gas System	15.9	18.1	16.8	15.9	15.9	15.4

An important source of revenue for TRSA results from the obligation of Petrobras to pay TRSA surcharges mandated Bolivian government regulations for volumes contracted by Petrobras and transported through its Transierra pipeline. These revenues are projected by TRSA to be approximately $9.9 million in 2003, $15.5 million in 2004, and $20.6 million in each of the years 2005-2021. These revenues may not be realized if Petrobras refuses to pay the surcharge or may only be partly realized if Petrobras pays the surcharge on through-put volumes rather than volumes as contracted.

(D) Regulatory Environment. TRSA's gas and liquids transportation businesses are regulated public services in Bolivia and are governed by a number of laws, regulations, and administrative resolutions. Among these regulations are the 1996 Hydrocarbons Law No. 1689, Bolivia's Sector Regulation System Law No. 1600 and the Transportation Regulations for the Transportation of Hydrocarbons via Pipelines, Supreme Decree No. 26116. The administration of these laws and regulations is the responsibility of the

Government and the Superintendent of Hydrocarbons of Bolivia's Sector Regulation System, who must approve the terms and conditions of any transportation agreements between TRSA and the producers/shippers.

Under the terms and conditions of the capitalization agreements under which TRSA obtained the pipeline system from YPFB, the Bolivian government required that the cost of transportation services during a four-year transition period from 1997 to 2001 be held at an artificially low level. The purpose of this subsidized, postage rate tariff (that is, a tariff independent of the distance the product is transported) was to encourage gas exploration and production and to allow participants in the energy markets in Bolivia to gradually make adjustments in anticipation of an economically based tariff.

TRSA was permitted to recognize as an asset, earning interest at 7% per annum in a "deferred account" an amount of deferred revenues resulting from the difference between the four-year transition period tariffs and the return permitted under the Transportation Regulations. The transition period ended May 16, 2001, and thereafter TRSA was allowed to capitalize the accumulated balance in the deferred account as a normal return-generating asset, and annually expense as amortization a portion of that amount through the post-transition period tariffs. As of December 31, 2002, the deferred account balance was $141.9 million. The deferred account surcharge is applied to all volumes, export and domestic, including volumes shipped by third parties.

TRSA receives domestic surcharges on all export shipments of gas transported in Bolivia regardless of whether the gas is transported on TRSA's system or by third parties. A new regulation would be required to extend the domestic surcharge beyond the date in 2006 when it is scheduled to expire. Failure to extend the subsidy would adversely affect TRSA's revenues by approximately $16 million per year and would impact the ability of TRSA to pay expected dividends.

(E) Tariffs. The 1996 Hydrocarbons Law requires that all tariffs provide the lowest transportation cost to the shippers while providing the transporter with a reasonable rate of return on equity. The price of transportation services in Bolivia for each of the four concessions is calculated using a "cash flow" methodology. Rate cases occur every four years under Bolivian law, and the next rate case filing for TRSA will be in May 2005. Agreement on a tariff requires agreement on anticipated future returns. Under this structure, TRSA recovers its capital expenditures, its cost of capital, the amortization of the deferred account, operating costs and a reasonable rate of return (currently targeted at 12.5%) plus inflation (U.S.) on equity, which totals approximately 14.9% currently. The regulations, however, provide for a deemed 60/40 debt-to-equity structure for the purposes of calculating the return on equity. TRSA's debt-to-equity as of year end 2002 is approximately 42/58.

The 1996 Hydrocarbons Law and related Supreme Decree No. 26116 also provide for a re-adjustment to the tariffs if (i) at any time actual volumes are 8% lower or higher (cumulatively) than projected rate case volumes; (ii) there is any change in tax legislation or (iii) there is a significant change, in either direction, in the investment made by TRSA. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information about the risks related to tariff-setting.

(F) Environmental Matters. TRSA signed an agreement with the government to reach compliance with Bolivian government environmental manifestos by May 2004. TRSA agreed to meet 189 specific environmental requirements and as of June 2003 TRSA had completed 159. Twenty of the outstanding requirements arose before the pipeline assets were transferred to TRSA and are subject to a specific agreement with the government signed on July 10, 2001.

TRSA prepares an environmental impact assessment study and submits it for approval from the government, which is required for any new infrastructure project, including expansions. TRSA has completed and has received environmental licenses for 27 projects since 1997.

The hydrocarbon transport industry has inherent risks of leaks and spills. In January 2000 a TRSA pipeline suffered a major oil spill that resulted in approximately $50 million of clean-up and remediation costs to TRSA. TRSA has filed claims with its insurers to recover its losses from the oil spill.

(G) Gas Transboliviano S.A. (GTB). GTB owns and operates the approximately 350-mile Bolivian portion of the BBPL, which is a regulated pipeline that transports natural gas from Rio Grande, Bolivia, to Mutun, Bolivia, at the Brazilian border, where it interconnects to TBG, the Brazilian portion of the BBPL. GTB relies on a single customer, YPFB, as the source of nearly all of its revenues under its current long-term contracts for firm capacity and gas transportation services. The YPFB contracts account for 1.062 Bcf/d of the approximately 1.1 Bcf/d of capacity currently available on the GTB pipeline. Refer to Section XIV.I.2.c., "Concentration of Customers and Suppliers" for further information. All tariff charges associated with the gas shipped by GTB under its transportation agreements with YPFB are paid for directly by Petrobras, the Brazilian state-owned oil and gas company, under direct payment agreements with GTB. GTB's contracts with Petrobras and YPFB are "ship-or-pay" contracts that require Petrobras to pay substantially all of the amounts due under the contracts as capacity payments regardless of whether YPFB actually ships gas through the pipeline. Petrobras and YPFB have preferred treatment on the GTB pipeline relative to other shippers. GTB's pipeline presently is flowing at approximately 50% of capacity.

Excluding its 12.75% indirect interest owned through TRSA, ENE owns a 17% equity interest in GTB. TRSA owns 51% of GTB's equity and provides operation, maintenance, and administrative services to GTB under a 20-year agreement. Of the remaining equity, an affiliate of Shell owns a 17% interest, an affiliate of Petrobras owns an 11% interest, an affiliate of British Gas owns a 2% interest, and an affiliate of El Paso owns a 2% interest. GTB is managed by a board of directors consisting of five members, comprised of two TRSA nominees, one ENE nominee, one Shell nominee, and one director nominated by majority vote of Petrobras and the other shareholders. Certain major decisions, including the incurrence of debt in excess of $10 million, changes to the dividend or tax policy, and amendments to the bylaws, require the approval of shareholders holding 86% of the shares of GTB, thus giving Petrobras and the other shareholders voting together a veto over such decisions.

Affiliates of ENE and Shell and TRSA are parties to a Joint Venture and Shareholders' Agreement under which the parties agree, among other things, to vote their interests in GTB and TBG jointly, as determined by majority vote. Under the terms of the Shell Settlement, ENE and Shell agreed to endeavor to enter into a new voting agreement with TRSA that would require a unanimous vote. Certain matters with a value greater than $250,000 must be reviewed by and agreed to by such parties. In addition, under the Shell Settlement, ENE will have the right to designate the chief executive officer of GTB, and Shell will have the right to designate the chief financial officer of GTB. Refer to Section X.A.3.e(i), "Cuiabá Integrated Project" for further information about the Shell Settlement.

As of June 30, 2003, GTB's pipeline and compression facilities cost approximately $600 million to construct. GTB financed this construction with funds from Petrobras, GTB's shareholders, third parties, and cash from operations. Petrobras provided the majority of the funds used to construct the GTB pipeline system by making advances in exchange for the reservation of firm capacity in the pipeline and has a lien on certain GTB pipeline assets as security for the advances. As of June 30, 2003, GTB's total outstanding indebtedness was approximately $557 million. Historically, GTB has not paid dividends to its shareholders. Any future dividends are subject to restrictive covenants in GTB's mezzanine financing; in addition, dividends cannot be paid until outstanding development cost advances of approximately $22 million, which includes accrued interest as of June 30, 2003, have been repaid to GTB's shareholders.

Petrobras has claims of approximately $17.7 million against GTB relating to alleged shortfalls in gas tendered by GTB, non-compliance with provisions in the gas transportation agreements and related matters. These claims are the subject of ongoing negotiation between GTB and Petrobras and as of June 30, 2003, GTB had reserved $5.8 million for these claims.

GTB and Petrobras entered into an agreement in September 2001 under which Petrobras agreed to repay GTB for costs incurred by GTB for installing 35,000 hp of additional compression on the GTB pipeline. As of June 30, 2003, approximately $33.7 million was payable to GTB under that agreement, which is scheduled to be repaid monthly with interest over a period of 10 years. In addition, as of June 2006, another approximately $15.7 million is anticipated to become due and payable to GTB under that agreement, which would be repaid monthly by Petrobras to GTB with interest over a period of 10 years.

(H) Transportadora Brasileira Gasoduto Bolivia-Brasil S.A. (TBG). TBG owns and operates the approximately 1,600-mile Brazilian portion of the BBPL, which is a regulated pipeline that transports natural gas from an interconnection with the GTB pipeline at the Bolivian border to southeastern Brazil. As of the first quarter of 2003, Petrobras accounted for over 98% of TBG's volume and British Gas accounted for the remaining 2% of TBG's volume. TBG's contracts with Petrobras are U.S. dollar based "ship-or-pay" contracts that require Petrobras to pay substantially all of the amounts due under the contracts as capacity payments regardless of whether Petrobras actually ships any amounts of gas through TBG's pipeline. Because TBG's contracts are denominated in U.S. dollars but payable in Brazilian reais, significant devaluation of the Brazilian real against the U.S. dollar in 1999 and 2002 has made it more expensive for Petrobras to use TBG's transportation capacity.

Excluding its indirect 3% interest owned through TRSA, ENE owns a 4% equity interest in TBG. Petrobras indirectly owns 51% of TBG's equity and the balance of the equity is held by affiliates of TRSA (12%) and Shell (4%) and by a joint venture between TotalFina, British Gas, and El Paso (29%). Petrobras's position as both the controlling shareholder and the most significant customer of TBG creates an inherent conflict that may disadvantage TBG and its other shareholders. Petrobras and the joint venture owned by TotalFina, British Gas, and El Paso have the ability to direct the management of TBG, to control the election of a majority of its directors, and to determine the outcome of any matter put to a vote of TBG shareholders that does not require supermajority approval. TBG is managed by a board of directors consisting of six members, five of whom are to be nominated by a majority vote of such parties, and the remaining director is to be nominated by a majority vote of ENE, Shell, and TRSA. Under the terms of the Shell Settlement, ENE and Shell agreed to enter into a new voting agreement with TRSA that would require unanimous agreement among ENE, Shell, and TRSA on all matters with a value greater than $250,000. Refer to Section X.A.3.e(i)., "Cuiabá Integrated Project" for further information about the Shell Settlement.

Pursuant to a shareholders' agreement, each shareholder has a right of first refusal if any shareholder decides to sell some or all of its TBG shares to a third party.

(viii) Centragas – Transportadora de Gas de la Region Central de Enron Development & Cia., S.C.A. (Centragas). ENE, together with Ponderosa, indirectly owns a 50% equity interest in Centragas. Tomen Corporation and Promigas each owns a 25% equity interest in Centragas. EDC, an affiliate of ENE, is the general partner of Centragas. Centragas owns and operates the 359-mile Ballena – Barrancabermeja natural gas pipeline in Colombia pursuant to a Transportation Services Contract that expires in February 2011. Centragas originally entered into the Transportation Services Contract with Ecopetrol, the state-owned oil company of Colombia. In 1998, Ecopetrol assigned the contract to Ecogas, a state-owned gas transportation company, but Ecopetrol has not been released by Centragas from its obligations under the contract. Under the Transportation Services Contract, Centragas transports gas exclusively for Ecogas. Centragas does not sell or market natural gas, and tariffs under the Transportation Services Contract are not subject to governmental regulations relating to the transportation of natural gas. Upon the expiration of the Transportation Services Contract in February 2011, Ecogas will have the option to purchase the pipeline from Centragas for approximately $2.2 million. The pipeline is operated by Promigas, and EIDS, an affiliate of ENE, has a Technical Services Agreement with Centragas that matches the term of the Transportation Services Contract.

The project was financed by a private placement of $172 million of 10.65% Senior Secured Notes Due 2010 issued by Centragas pursuant to an indenture and equity contributions by ENE affiliate partners of $45 million. Following a June 1, 2003 payment, the outstanding principal balance on the notes was $97,662,438. The notes are secured by the pipeline and substantially all of Centragas's other assets.

The indenture permits Centragas to make loans to its partners and their affiliates under certain conditions. Such loans have been made to affiliates of ENE (of which $39,904,010 remained outstanding as of June 30, 2003). Through an escrow arrangement, these loans are repaid from the proceeds of dividends payable to the ENE affiliate partners. As a result, the

ENE affiliate partners will not be able to receive any cash dividends, to the extent declared and paid, until the outstanding loans to ENE affiliates are repaid in full, which is not expected to occur until 2012 when the project is scheduled to be liquidated. Until Prisma is able to meet the requirements to obtain additional partner loans from Centragas, the only source of cash to Prisma from the project prior to liquidation will be the fees under the Technical Services Agreement.

d. Power Distribution

(i) Elektro Eletricidade e Servicos S.A. (Elektro). Elektro is a Brazilian LDC operating in the states of São Paulo and Mato Grosso do Sul, Brazil. Elektro's concession area covers 223 municipalities in the state of São Paulo, and 5 municipalities in the state of Mato Grosso do Sul, encompassing approximately 56,000 miles of distribution lines. As of June 30, 2003, Elektro had approximately 2,200 employees.

Pursuant to a national power sector privatization program, Elektro was created by a spin-off of the Companhia Energética de São Paulo power distribution division in January 1998. Companhia Energética de São Paulo was previously a state-owned integrated energy company providing power generation, transmission, and distribution in São Paulo. In a series of transactions in 1998 and 1999, ENE and its affiliates acquired a 99.62% economic interest and a 99.96% voting interest in Elektro. Three Brazilian limited liability companies, EPC Ltda., EIE, and ETB, which are indirectly controlled by ENE and its affiliates, including Whitewing LP, hold 99.62% of Elektro's capital stock. There is no shareholders' agreement among these parties. The remaining 0.38% of the capital stock is publicly held.

It is anticipated that Elektro will continue its primary strategy of cost leadership and the strengthening of its brand with a focus on customer service and high standards in power dependability and quality. Furthermore, Elektro's management team has taken a leadership role in industry discussions with governmental authorities regarding the development of the Brazilian energy regulatory framework.

(A) Industry Overview. Despite the economic difficulties facing the country since the early 1980s, according to the Brazilian Ministry of Mines and Energy, overall electricity consumption in Brazil grew from 151 TWh in 1985 to 226 TWh in 1994, equivalent to a 4.6% CAGR. In the period following the real stabilization plan (1994 - 2000), electric consumption grew at a 5.3% CAGR, reaching 307 TWh in 2000. During this period, the fastest growing market segments in Brazil were the residential segment with a CAGR of 6.9% and the commercial segment with a CAGR of 8.7% according to the Ministry of Mines and Energy.

Privatization efforts in the Brazilian power industry began in the distribution sector. Currently, approximately 75% of the total energy market and approximately two-thirds of the 70 distribution companies in Brazil are owned by private investors. Privatization auctions occurred between 1995 and 2000, and a total of approximately $27 billion was invested in the distribution sector by major players including ENE and AES; EDP – Electricidade de Portugal, Endesa, and Iberdrola (Spain); EDF – Electricité de France; and VBC (Brazil).

Hydroelectric power constitutes approximately 90% of Brazil's total installed capacity. Abnormally low rainfall, lack of investments in generation facilities, and depletion of water reserves led the Brazilian government to impose a severe energy rationing program from June 2001 through February 2002. Brazil's electricity consumption was reduced by 16.6% during this period. This shortage in supply led to increased efforts to develop thermal energy plants, although such development slowed in 2003 as hydroelectric resources returned to more normal levels. Even after the removal of rationing restrictions, consumption, according to the Ministry of Mines and Energy, grew only 2.5% in 2002 compared to an average of 5.3% over the prior six years. According to the Ministry of Mines and Energy, the growth in electric consumption in Brazil over the next five years is expected to be approximately 6% per year and in the southeastern region 5.6% per year.

Since 2001 several LDCs have faced severe losses and deteriorating financial conditions as a result of the rationing impacts, reduced electrical consumption, delay of uncontrollable costs tariff pass-through, and foreign exchange devaluation impacts related to U.S. dollar denominated debt. The Brazilian government's electricity rationing program implemented from June 2001 to February 2002 negatively impacted Elektro's revenues by R$219.2 million ($92.7 million). Furthermore, the delay of the pass-through of 2001 uncontrollable costs to Elektro tariffs caused Elektro additional losses of R$58.9 million ($24.8 million). Another prolonged electrical energy crisis could trigger another federal rationing plan, have adverse effects on the Brazilian economy, and lead to a downturn in the level of economic activity, all of which could adversely affect Elektro's operating results and financial condition.

(B) Concession Agreement. Elektro holds a 30-year renewable Concession Agreement, the first term of which expires in 2028, which provides exclusive distribution rights within the concession area. Elektro may seek an extension of the Concession Agreement for an equal term of 30 years by submitting a written request accompanied by proof of compliance with various fiscal and social obligations required by law. Extension of the Concession Agreement by ANEEL is discretionary and based on technical reports by the agency regarding the dependability and quality of service rendered by Elektro in the primary term of the concession. Elektro's Concession Agreement and federal law allow for termination of the concession in the following situations: (i) expiration of the contractual term; (ii) expropriation for the public good (which requires payment to Elektro by the Brazilian federal government); (iii) forfeiture (by failure of concessionaire to honor concession obligations); (iv) rescission by concessionaire (in event that the federal government does not honor its obligations); (v) annulment arising from irregularity associated with granting of the concession; and (vi) bankruptcy or dissolution of Elektro. The federal government also has the authority to intervene in the administration of the concession if Elektro fails to comply with its obligations under the concession.

As part of the approval by ANEEL of a restructuring in December 1998 of ENE's interests in Elektro through a reverse merger transaction, the Concession Agreement was amended pursuant to the First Amendment to the Concession Agreement to include an annual capitalization test to measure the impact of the merger on Elektro. The financial impact of the merger is computed based on the inflows (tax and dividend savings) and outflows (interest and principal paid) generated by the merger. If the net result is positive, the balance is carried forward to the next year. If it is negative, Elektro's controlling shareholder EPC Ltda. has to recapitalize Elektro in an amount equivalent to the negative balance computed. As of June 30, 2003, $314 million of Elektro's intercompany debt due in December 2008 has to be considered in the financial flow computation of the capitalization test as interest and principal are paid. Depending on the results of the annual capitalization test, Elektro may have an impaired ability to pay interest and principal on its inter-company loans.

(C) Share Redemption Transaction. On January 3, 2001, Elektro's shareholders approved a share redemption transaction pursuant to which the shareholders would receive payments of R$676 million in quarterly installments from 2001 to 2005. As of June 30, 2003, payments to shareholders totaled $72.1 million (R$158.2 million) with an outstanding balance of $146.9 million (R$518.8 million). ANEEL notified Elektro on February 3, 2003 that the share redemption transaction should have been pre-approved by the agency and ruled that (1) the transaction should be reversed and (2) the shareholders should reimburse Elektro for the $72 million already received. On February 18, 2003, Elektro filed an appeal, which is still pending. If Elektro's majority shareholders are ultimately required to reimburse Elektro, they would have to seek the necessary funding from Prisma or otherwise adequately recapitalize Elektro.

On March 14, 2003, Elektro submitted a proposal to ANEEL to amend the original share redemption transaction to (1) maintain the original payment schedule (R$1.2 million outstanding) to the minority shareholders; (2) to include the past and future payments to controlling shareholders of $218 million (R$673.7 million) in the capitalization test computation set forth in the First Amendment to the Concession Agreement; and (3) to limit the future payments to the controlling shareholders by the positive balance of the capitalization test financial flow. If ANEEL accepts Elektro's proposal, Elektro currently believes that its financial flow balance would be enough to offset the reimbursement of the payments already made to the controlling shareholders through September 2001. Elektro's estimates indicate that if ANEEL accepts the proposal the remaining payments to the controlling shareholders would occur from 2005 through 2012. As of June 30, 2003, ANEEL has neither responded to Elektro's proposal, nor confirmed its request to reverse the transaction.

In addition, on March 14, 2003, the Comissão de Valores Mobiliários, the Brazilian securities commission, sent a notification to Elektro, challenging the legal grounds for the share redemption transaction. Elektro filed a response to the commission on March 27, 2003. In July 2003, Elektro was informed by its external counsel that the commission has initiated an administrative appeal process. Subsequently Elektro sent a letter to Comissão de Valores Mobiliários attaching its appeal previously filed with ANEEL on February 18, 2003. As of August 5, 2003, Elektro has not received any reply from the commission.

(D) Regulatory Environment. The Brazilian electricity sector is subject to regulation by ANEEL. ANEEL is an independent agency funded through contributions in the tariffs with its board of directors selected by the Brazilian President and approved by the Senate.

As a Brazilian publicly-held company with stock registered on the São Paulo Stock Exchange, Elektro also has to comply with disclosure requirements of the Comissão de

Valores Mobiliários, including filing quarterly and annual financial statements and forms describing the company's corporate governance.

In December 2001, Brazilian governmental authorities and the LDCs agreed to an extraordinary tariff increase of approximately 5% to recover the rationing impacts on revenues and the delay of the pass-through of 2001 uncontrollable costs (Parcel A) to tariffs. To provide near-term relief, it was agreed that Brazilian National Bank for Economic and Social Development would finance 90% of such losses.

ANEEL adopted resolutions in November 2000 providing that the LDCs are responsible for expanding and improving the transmission grid of Companhia de Transmissão de Energia Elétrica Paulista S.A., the stated-owned transmission company of São Paulo. Controversies have arisen as to whether the LDCs should pay connection charges to fund the transmission company, which would be passed through to tariffs, or invest directly in the transmission grid with their own resources. If Elektro is required to invest directly, such investment may exceed $50 million from 2003 to 2007 and reimbursement of such amount is contingent on the investment being deemed a reimbursable expense in Elektro's next annual tariff review and subsequent tariff adjustments.

(E) New Power Sector Model. On July 25, 2003, the Conselho Nacional de Política Energética – CNPE (Energy Policy National Council) announced proposed guidelines for the reform of the Brazilian power sector model. Members of the energy sector now have the opportunity to review and provide comments to the proposed guidelines. The main principles contained in the draft guidelines are that there must be: (i) a public service oriented electrical energy sector, (ii) government planning of generation and transmission expansion, and (iii) 100% contract commitments for all LDC power requirements with CNPE oversight. Additionally, the guidelines provide that there will be two markets for contracting power. The first market will be a regulated tariff pool for LDCs, generation public utilities, and the independent power generators if they elect to participate. The second market will include free customers and independent power generators with freely negotiated prices. Under the draft guidelines, each consumer with demands higher than 3MW will have to notify its LDC at least 5 years in advance to be allowed to purchase power from third parties. The government intends to start implementation of these guidelines in January 2004. This new arrangement is still subject to further discussions, changes in the existing regulatory and legal framework and congressional approval.

(F) Tariffs. Tariffs for distribution companies are periodically reset and reviewed by ANEEL. Elektro's tariffs will be reset in August 2003, the fifth anniversary of the Concession Agreement, and will be reset every four years thereafter. ANEEL's proposed tariff review methodology includes in the rate base all of Elektro's assets at market replacement cost and adopts a model distribution company as the benchmark for operational costs. Members of the industry are still discussing with ANEEL the model company concept and its adverse effects on operational cost, labor relations, and financial obligations. Any asset base evaluations (provided by ANEEL-certified consultants) used in the tariff review methodology are subject to subsequent ANEEL audit and revision. If the outcome of the tariff review is not favorable, Elektro might need to restructure terms of its intercompany loans by

(i) rescheduling maturity dates of interest and principal, (ii) reducing the coupon rate, or (iii) converting debt into equity.

Under Elektro's Concession Agreement, tariffs are adjusted on August 27 of each year based on Elektro's unit cost per kWh at the time of the last adjustment based on actual increases in Elektro's non-controllable costs per unit and for inflation commensurate with its controllable costs per unit since that time. Effective with the next adjustment, an "X" factor will reduce the inflation adjustment every year between reset dates to share productivity gains with customers. Such non-controllable costs are monitored throughout the year through a tracking account and include, among others, power purchase costs (with foreign exchange adjustments in respect of the Itaipu contract discussed below), RGR (a reserve fund created by the Brazilian government to compensate companies for certain assets if the concession has been revoked), CCC (a fuel cost surcharge levied on all consumers), and certain sales taxes. In August 2002, Elektro received a tariff increase of 14.21%, which was consistent with Elektro's expectations and with increases received by other LDCs in the sector. In addition to these specific adjustments, Elektro's tariffs may be reviewed at any time to restore the "financial and economic equilibrium" of the Concession Agreement. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information about the risks of regulatory intervention.

(G) 2003 Tariff Review. On August 27, 2003, ANEEL released Elektro's tariff increase of 27.93%, of which 20.25% became immediately effective. The remaining portion will be added to the controllable costs in the three subsequent annual tariff adjustments starting in 2004. The preliminary "X" factor is 2.38%. The methodology for determining the final "X" factor is not yet available.

(H) Market. The majority of Elektro's regulated customer base is comprised of commercial and small and mid-sized industrial customers and higher-margin residential customers. Based on 2002 revenues, Elektro's regulated customers were 36% industrial, 35% residential, 14% commercial, 10% public/government, and 5% rural. Over the past seven years Elektro has experienced a 4.4% average annual growth rate in its customer base. Additionally, energy consumption in Elektro's concession area grew between 2.7% and 7.5% in each of the past seven years with the exception of 2001 when the energy rationing program was in place. The rationing program from June 2001 to February 2002 reduced energy consumption by 20.8% in the Elektro concession area compared to the June 2000 to February 2001 period. Elektro's operating results fluctuate based on the overall level of economic activity in Brazil and the disposable income level of consumers. Elektro has electricity sales contracts with each of its large customers with terms ranging from two to five years.

Customers in Elektro's service territory with demand higher than 3 MW have the option, after the expiration of their current contracts, to buy power from other LDCs, directly from a generator, or from an energy marketing company. The distribution service and the connection to the LDC system will continue to be contracted with the LDC, which would charge a regulated distribution tariff. However, there can be no assurance that ANEEL will set this tariff at a level that is satisfactory to Elektro. To mitigate the risk of Elektro's customers choosing to purchase power from other suppliers, Elektro's shareholders have established a marketing company that can enter into pure commodity contracts with these customers. There can be no assurances that the marketing company will be successful in capturing all profitable commodity customers that elect to unbundle their energy purchases, and Elektro's operating results may be negatively impacted accordingly.

(I) Brazilian Wholesale Market. The Brazilian Wholesale Market, which represented approximately 5% of Elektro's revenues during 2001 and 2002, is responsible for settling the contractual differences in the Brazilian power market. Due to the lack of clear regulations and a series of injunctions filed by several market agents, no payments were made from September 2000 to December 2002. Fifty percent of the outstanding receivables were due to be paid in January 2003, with the expectation of receiving $19.4 million (R$68.6 million). Due to late and partial payments, Elektro collected payments in January, February, and March totalling $17.1 million (R$61.0 million). Payment of an additional $1.4 million (R$5.0 million) has been blocked by an injunction. After the conclusion of an independent federal audit of the accounting, calculation process and amounts involved, settlement of the remaining 50% of receivables occurred in July 2003. Elektro effectively collected $13.6 million (R$40.4 million) in July and $7.4 million (R$21.9 million) has been blocked by injunctions. As a result, the total past due outstanding balance to Elektro is $2.4 million (R$7.0 million).

(J) Power Supply. Currently, almost 100% of Elektro's energy requirements are supplied by long-term contracts. Twenty-one percent is purchased from the large Itaipu hydroelectric generation facility, and most of the remainder is purchased under contracts with affiliates of each of Companhia Energética de São Paulo (CESP), Duke, and AES. Under these contracts, Elektro was required to buy a take-or-pay volume of approximately 80% of forecasted demand in 2002. The take-or-pay volume declines 25% per year beginning in January 2003 and the contracts terminate at the end of 2005. These contracts are currently priced at $16/MWh (R$56/MWh) on average. Prices are denominated in local currency and adjusted annually by inflation.

Itaipu's tariff is priced on demand, indexed to the U.S. dollar, and tied to the capital and operating costs of Itaipu. After prolonged negotiations with ANEEL, the foreign exchange risk inherent in this contract is now mitigated because the power purchase costs paid to Itaipu are passed through to the customers through a tracking account mechanism. Although the tracking mechanism mitigates foreign exchange risk of the dollar denominated contract, it does not provide full risk coverage, as the tracking account is computed on a monthly basis, but is only applied once a year in the yearly tariff adjustment. Therefore, a significant devaluation of the real might increase working capital requirements between two consecutive annual tariff adjustments dates. Refer to Section XIV.I.1.d., "Devaluations of Foreign Currencies" for further information about the risks of currency devaluations. In 2002 Elektro contracted 434 MW of capacity with Itaipu at a rate of $20.1988/kW-month. For 2003 the rate is $17.55/kW-month, equivalent to $30/MWh (R$106/MWh). On April 4, 2003, a new regulation (Portaria Interministerial 116) postponed pass-through of the tracking account values related to the 2002-2003 period until the 2004 tariff adjustment. A loan from the Brazilian National Bank for Economic and Social Development to advance such amounts to the LDCs has been established by means of Presidential Provisional Measure No. 127, effective August 4, 2003. Such measure still requires congressional approval. This vote should occur by the end of 2003.

Since January 2003 LDCs have been required to contract at least 95% of their power needs through long-term contracts (more than 6 months) and buy their power needs through ANEEL-regulated auctions. A decree issued on July 8, 2003, allowed LDCs to amend their contracts with public service generators, until December 31, 2004, to purchase additional power limited to the original contracted volumes at the current prevailing prices. Elektro's current estimates indicate that Elektro is fully contracted for 2003. For 2004, Elektro covered its needs through an amendment of the CESP contract (295 MW), which was approved by ANEEL, and as of June 30, 2003 estimated that it will need to enter into contracts through auctions to buy 800 MW for 2005. Although Elektro will seek to obtain full pass-through to tariffs of the energy costs purchased at auctions, ANEEL may not include the auction contracts in the tracking account mechanism, which would not allow Elektro to recover eventual intra-year cost increases originated by such contracts and would negatively affect its operating results.

(K) Dividends Policy. Elektro's Bylaws provide for yearly payment of a minimum dividend equal to 25% of its net profit, which is the minimum annual dividend a corporation is obligated to pay under the Brazilian corporate law. The last year for which Elektro had a net profit under Brazilian GAAP and was able to pay dividends was 1998.

(L) Debt Overview. Elektro's consolidated indebtedness as of June 30, 2003 totaled $843 million, of which 59% was composed of U.S.-dollar-denominated intercompany obligations. Seventy-four percent of Elektro's third-party debt is U.S.-dollar-denominated and must be repaid from 2007 through 2012. Elektro expects its subsidiary Terraco Investment Ltd. to extend the maturity of its $179 million non-interest bearing loan payable to EDF that currently matures in 2004. As the bulk of Elektro's foreign exchange exposure is not hedged and Elektro's revenues are real-based, devaluation of the real and continued currency volatility would negatively impact Elektro's future earnings and cash flow, and could also hurt its ability to meet foreign currency interest and principal debt obligations.

The following table shows consolidated debt as of June 30, 2003 for Elektro, Terraco Investment Ltd., EPC Ltda., EIE, and ETB.

US GAAP ELEKTRO CONSOLIDATED DEBT STRUCTURE

As of June 30, 2003 (principal plus accrued interest to date)					$ Million – Fx Rate @ 2.8720		
	Maturity	Interest Rate	Principal	Interest Payment	Short Term	Long Term	Total
Third Party Debt							
Debt in R$							
BNDES Capex	Jun 2003 to Nov 2006	TJLP+3.2% ~ 3.85%	Monthly	Monthly (1)	5.6	14.5	20.1
Eletrobrás Financing	Mar 2007 to Oct 2007	RGR+5%	Monthly	Monthly	0.3	2.1	2.4
Debenture	May 2005	IGPDI+11.4%	Bullet	Annually	0.1	6.6	6.7
BNDES Rationing/ Parcel A Financing	Jan 2007	SELIC+1.0%	Monthly	Monthly	14.2	44.6	58.8
Shares Redemption (minority shareholders)	June 2005	-	Quarterly	None	0.2	0.2	0.4

US GAAP ELEKTRO CONSOLIDATED DEBT STRUCTURE

As of June 30, 2003 (principal plus accrued interest to date)					$ Million – Fx Rate @ 2.8720		
	Maturity	**Interest Rate**	**Principal**	**Interest Payment**	**Short Term**	**Long Term**	**Total**
Debt in $							
ETB / BCI (2)	Dec 2012	4.15%	Semi-annual (3)	Semi-annual	12.9	244.8	257.7
Sub-total					33.3	312.8	346.1
Intercompany Debt							
Debt in US$							
EBPH-IV	Dec 2008	15%	Bullet	Quarterly	-	314.1	314.1
EDF	Dec 2004	0%	Quarterly	None	27.5	151.6	179.1
Other	-	-	-	-	-	3.3	3.3
Sub-total					27.5	469.0	496.5
Total					60.8	781.8	842.6

(1) Quarterly during grace period.

(2) On December 31, 2002, Elektro, ETB and ENE Enron concluded negotiations with BCI to restructure this fixed rate note issued by ETB. The restructuring reduced interest expenses by $51 million on a present value basis and extended final maturity from December 2007 to December 2012. Under US GAAP, the resulting effective interest rate is 4.15%

(3) Starting in December 2007.

TJLP: Long term interest rate
RGR: Correction index defined by Eletrobras. It has been kept flat since 1999.
IGPDI: Inflation rate
SELIC: Basic interest rate
CDI: Interbank interest rate

Under Elektro's $32 million Brazilian National Bank for Economic and Social Development credit facility used to fund its capital expenditures, it must maintain a capitalization ratio (shareholders' equity to total assets) above 40% during the amortization period of the loan. Because estimates indicate that Elektro will not be in compliance with this financial covenant, Elektro is attempting to renegotiate this covenant and is also seeking to resume drawdowns that were suspended following the filing of ENE's Chapter 11 Case. As a result of ENE's chapter 11 filing, Elektro had to cancel an $80 million local debenture placement in 2001, and all commercial banks called back any unused credit facilities ($37 million). The lack of a clear regulatory framework in Brazil, including the absence of an agreed methodology for the required periodic tariff review, the recent drop in electrical energy demand caused by the rationing program in 2001, and the high volatility and 52% foreign exchange devaluation recorded in 2002 have caused the financial markets to delay or reduce financings to most LDCs. Despite Elektro's current efforts to restore its credit facilities, there can be no assurances that Elektro will be able to raise new funding or refinance its current debt.

e. Power Generation. The table below identifies the power plants included in Power Generation and several of their key features.

Power Generation Power Plants

Business	Location	Expected Prisma Ownership Interest	Generating Capacity	Fuel Type	Date Commercial Operation Was Initiated	Percent Generating Capacity Contracted and Scheduled Termination Date Under Principal Power Purchase Agreements
Cuiabá – EPE	Brazil	50.0%*	480 MW	Natural Gas	May 2002	100% until May 2019
Trakya	Turkey	50.0%	478 MW	Natural Gas	June 1999	100% until June 2019
PQP	Guatemala	37.5%	234 MW	Fuel Oil	February 1993 (110 MW) July 2000 (124 MW)	47% until February 2013
BLM	Panama	51.0%	280 MW	Fuel Oil	1967 (40 MW) 1971 (40 MW) 1973 (40 MW) 2000 (160 MW combined cycle)	Elektra - 30% until December 2003 Edemet - 48% until December 2004 Elektra – 29% from January 2005 until December 2008
SPC	Philippines	50.0%	116 MW	Fuel Oil	February 1994	100% until February 2009
ENS	Poland	100.0%	116 MW electrical 70 MW thermal	Natural Gas	June 2000	100% electrical until June 2020 85% to 90% thermal until June 2020
SECLP	Dominican Republic	85.0%	184 MW	Fuel Oil	August 1994	92% until January 2015
EEC	Nicaragua	35.0%	70.5 MW	Fuel Oil	September 1999	71% until September 2014
GMSA	Argentina	100.0%	70 MW	Natural Gas and Diesel Fuel	March 1995	Arcor - 9% until July 2004 (six power purchase agreements) CEMSA – 40% until July 2005
MEC	Guam	50.0%	88 MW	Fuel Oil	January 1999	100% until January 2019

* Upon the closing of the Shell Settlement.

As indicated in the table above, each of the plants that Prisma expects to be a part of its business has been completed and has initiated commercial operations. Refer to the project-specific sections below for more detailed descriptions of each of the Cuiabá Project, Trakya, PQP, BLM, SPC and the Other Power Generation Businesses.

(i) Cuiabá Integrated Project. The Cuiabá Project consists of four companies that on an integrated basis operate a power plant in Brazil and purchase natural gas in Bolivia or Argentina and transport it to Brazil for use as fuel in the generation of electrical energy at the power plant. EPE is a power generation company that operates an approximately 480-MW gas-fired, combined-cycle power plant located in Cuiabá, Mato Grosso, Brazil. GasBol is a gas transportation company that operates an approximately 226-mile 18-inch gas pipeline in Bolivia to transport natural gas from the Bolivian portion of the BBPL to the pipeline interconnection at the Bolivia-Brazil border. GasMat is a gas transportation company that operates an approximately 175-mile 18-inch gas pipeline in Brazil, which is interconnected to the GasBol pipeline at the Bolivia-Brazil border, to transport natural gas from the border to the EPE power plant. TBS is a gas supply company that purchases natural gas from Bolivian or Argentinean sources, arranges for transportation of the gas, including through GasBol and GasMat, and sells the gas to EPE. The Cuiabá Project sells all of the capacity of and energy produced by EPE to Furnas, one of Brazil's federally owned electricity generation companies.

(A) Shell Settlement Agreements. Shell currently owns, through its affiliates, a minority interest in EPE, GasMat and TBS and a 50% interest in GasBol. Several disputes arose between ENE and Shell relating to the development, construction, and operation of the Cuiabá Project and the management and governance of EPE, GasMat, GasBol, and TBS. Affiliates of ENE and Shell entered into a Definitive Agreement in June 2003 to resolve these disputes and the Bankruptcy Court approved the Shell Settlement on August 7, 2003. The parties expect to close the transactions contemplated by the Shell Settlement in September 2003.

The original projected aggregate capital cost of the Cuiabá Project was approximately $505 million. As a result of significant delays and cost overruns incurred by the construction contractor, an affiliate of ENE, the actual aggregate capital cost of the Cuiabá Project was approximately $740 million. To settle disputes related to these cost overruns, which were funded in part by Shell, various ENE affiliates will transfer equity interests in each of EPE, GasMat, and TBS to affiliates of Shell in accordance with the terms and conditions of the Shell Settlement. Following these transfers, each of ENE and Shell will hold a 50% indirect equity interest in each of EPE, GasMat, GasBol, and TBS.

In connection with the Shell Settlement, certain affiliates of Shell and certain affiliates of ENE will enter into a Master Voting Agreement to address the management and governance of the Cuiabá Project as well as ENE's and Shell's respective ownership interests in the BBPL and TRSA. The parties agreed to vote their respective equity interests together through the implementation of a supervisory board whose affirmative vote is necessary to approve certain substantial transactions of any Cuiabá Project company, including (i) certain expenditures in excess of $250,000, (ii) a transfer of all or a substantial part of the assets of any Cuiabá Project company, (iii) any amendment to the organizational documents of any Cuiabá Project company, (iv) any decision to incur indebtedness (except if for less than $250,000 in the aggregate), (v) the appointment, removal, elimination, creation or modification of all senior managers' positions, (vi) any decision appointing or removing the auditors of any Cuiabá Project company, and (vii) any other material transaction relating to the Cuiabá Project companies. The failure of the parties to agree on actions required for the operation of the Cuiabá Project could result in a deadlock that could have a material impact on the revenues and expenses of the Cuiabá Project.

Pursuant to the terms and conditions of the Shell Settlement, the revised organizational documents of each of the Cuiabá Project companies will contain standard provisions relating to purchase rights triggered by a prospective change of control. In addition, the Shell Settlement contemplates that the revised organizational documents will provide for certain rights of first refusal and drag-along rights. For as long as a direct or indirect controlling equity holder of a Cuiabá Project company is not creditworthy, each other equity holder will have drag-along rights with respect to the equity of a Cuiabá Project company held by the non-creditworthy equity holder. However, the exercise of such drag-along rights by a selling equity holder will trigger the non-creditworthy equity holder's right of first refusal with respect to the equity of a Cuiabá Project company held by the selling equity holder. If an equity holder is required to sell its equity in a Cuiabá Project company, whether pursuant to a drag-along right or right of first refusal, then any debt associated with the selling equity holder's interests will also be required to be transferred to the purchaser of the equity to the extent that the selling equity holder controls the holder of the associated debt.

In accordance with the terms and conditions of the Shell Settlement, Shell will transfer to affiliates of ENE an aggregate amount equal to $15.5 million of which approximately $8 million is earmarked as a mezzanine loan to GTB. In connection with the Shell Settlement, certain affiliates of ENE and Shell will release and discharge each other and each of the Cuiabá Project companies, and each of their respective agents and affiliates, from all claims with respect to the Cuiabá Project, subject to a limited indemnity, that arise out of acts or omissions occurring on or prior to the closing date of the Shell Settlement, including unasserted claims, with certain exceptions.

(B) Intercompany Debt. The Cuiabá Project does not have any third-party financing. However, EPE, GasMat, and GasBol borrowed an aggregate of approximately $475 million from affiliates of ENE and Shell during the period from October 1998 to October 2001 to finance construction. Pursuant to credit restructuring agreements among each of EPE, GasMat, and GasBol, on the one hand, and their respective ENE and Shell affiliate lenders, on the other hand, which will be entered into upon the closing of the Shell Settlement, each borrower will only be obligated to make payments on its loans from its cash flow that would otherwise be available after expenses, taxes, and reserves are paid. EPE is exposed to market risks, including changes in currency exchange rates between the Brazilian real and the U.S. dollar. EPE attempts to mitigate some of the negative impact of changes in exchange rates through various hedging mechanisms and treasury policies.

(C) Dividend and Distribution Policy. Except for TBS, none of the Cuiabá Project companies have distributed dividends and no distribution of dividends by EPE, GasMat, or GasBol is expected in the foreseeable future. Available cash is expected to be used solely for the repayment of ENE and Shell affiliate loans after certain reserves are funded. TBS distributed dividends from its 2001 and 2002 earnings and expects to distribute to its shareholders future available cash after reserve accounts are funded.

ENE expects to transfer its equity interests in its affiliates that made loans to EPE, GasMat, and GasBol to Prisma. However, the loans to EPE and GasMat were made by ENHBV, and there is a risk that ENE will not be able to transfer ENHBV to Prisma. Refer to Section X.A.2., "Risk Factors" for further information. If ENHBV is not transferred to Prisma, Prisma will not benefit from approximately $271 million in loans payable by EPE and GasMat.

(D) Plant and Equipment. EPE employees operate the power plant and provide operation and routine maintenance services. The combustion turbine generators used in the plant were two of the first model V84.3A turbines produced by Siemens. The Siemens turbines have experienced significant problems, including mechanical and technological problems with tiles in the combustion chamber and with premature failure of critical parts. Refer to Section XIV.I.2.a., "Uninsured Plant and Equipment Failures" for further information about the risks related to equipment failures.

The turbines were initially commissioned on diesel fuel prior to the completion of the two gas pipelines that transport natural gas to EPE. In connection with the changeover of the power plant to natural gas, one of EPE's two combustion turbines suffered a catastrophic failure and had to be repaired at a cost of approximately $22 million. EPE's insurers have resisted payment of EPE's claim for this loss. EPE does not have a long-term contract for major maintenance and periodic overhauls of its combustion and steam turbine generators; instead, the Cuiabá Project currently contracts for major maintenance services on a per-overhaul basis. EPE is negotiating a long-term major maintenance service agreement with Siemens, but if an agreement is not reached, EPE may not be able to obtain major maintenance services at the necessary times or for appropriate prices, and in either case the Cuiabá Project's profitability may be negatively impacted.

The catastrophic failure of EPE's Siemens turbine in August 2001 has impacted EPE's ability to secure adequate, affordable insurance coverage. EPE's insurance premiums have increased significantly since mid-2001, and the deductible amount under EPE's policies for property damage has increased significantly.

GasMat's and GasBol's pipelines each run through environmentally sensitive parts of Brazil and Bolivia. Several environmental groups and non-governmental organizations carefully watch the Cuiabá Project's pipeline operations, and have in the past alleged violations of environmental, health and safety laws and policies, and GasMat and GasBol must respond to these allegations. In addition, affiliates of ENE and Shell have agreed to contribute up to $20 million over a 15-year period to the Chiquitano Forest Conservation Project in Bolivia. Pursuant to the terms of the Shell Settlement, TBS will provide the funds to pay the Chiquitano Project obligations of both the ENE and Shell affiliates.

(E) Furnas PPA. EPE relies on a single customer, Furnas, to purchase all of the capacity and associated energy of the power plant. The PPA between Furnas and EPE has a 21-year term ending in 2019 and provides the sole source of revenues for the Cuiabá Project. The obligations of Furnas under the PPA are guaranteed by Eletrobras, the Brazilian state-owned electric company. If Furnas fails to fulfill its contractual obligations, the Cuiabá Project's financial results will be materially adversely affected, as the Cuiabá Project would likely be unable to find another customer for EPE with similar pricing. Refer to

Section XIV.I.2.c., "Concentration of Customers and Suppliers" for further information about the risks of relying on a limited number of customers.

Pursuant to the PPA, EPE has committed to sell its entire capacity and associated energy to Furnas in exchange for a monthly payment in reais from Furnas based on the guaranteed available capacity and the delivered energy. If Furnas requests that EPE be dispatched above the guaranteed capacity, Furnas must pay an increased capacity component. The PPA provides for three tariff adjustment mechanisms: (1) an annual adjustment to the tariff for Brazilian inflation, (2) an adjustment for the gas-related components of the tariff if there is a cumulative devaluation or appreciation of the Brazilian real against the U.S. dollar of 5% or more, and (3) an adjustment to the tariffs based on an economic-financial disequilibrium of the PPA. In accordance with the tariff adjustment provisions, EPE has made five requests to Furnas since May 2001 to adjust the power sales price for economic-financial disequilibrium, but Furnas has failed to respond to EPE's requests. Additionally, EPE and Furnas have not agreed on the basis for the inflation adjustment to the tariff. However, the gas-related component of the tariff adjustment is working according to the terms of the PPA. If Furnas continues to refuse to fully adjust the price of capacity and power sales under the PPA, EPE may have to pursue arbitration proceedings to enforce its contractual rights.

Rationing and conservation programs in Brazil during 2001 and 2002 resulted in significant reductions in electricity demand. High rainfall levels during the 2002 rainy season led to the end of mandatory rationing in February 2002, and there is still a current surplus of electric capacity in Brazil. Because the PPA has a significant U.S. dollar basis and is designed to allow a return on a U.S. dollar investment, the substantial devaluation of the Brazilian real against the U.S. dollar in 1999 and 2002 increased the cost of the Cuiabá Project's electric power to Furnas relative to Furnas's other contracts or sources that are not U.S. dollar-based. Furnas must generally pay capacity payments under the PPA whether or not the power plant is dispatched. These capacity payments comprise approximately 96% of the revenues under the PPA. The combination of these factors may create an incentive for Furnas to seek to renegotiate or otherwise not perform its payment obligations under the agreement. In a speech in March 2003, the president of Eletrobras criticized the role of free markets in the Brazilian power sector and stated that most power contracts would remain unchanged, except for extreme cases in which Eletrobras will pursue renegotiations. If EPE were forced to renegotiate a new contract to sell its power in the current market, the sales price would likely be significantly lower than the current contractual price. Refer to Section XIV.I.1.c., "Political Instability, Civil Unrest, and Regime Change" for further information.

Furnas has the contractual right to terminate the PPA for various reasons, including default, bankruptcy of EPE, dissolution of Furnas, or a force majeure event that lasts for more than 12 consecutive months. Upon a termination of the agreement, Furnas has certain rights and obligations to purchase EPE and the associated electric transmission systems up to the delivery points. At the end of the term of the PPA, Furnas has the right to purchase the EPE facilities at a nominal purchase price calculated based on the tariff in effect during the final year of the PPA term. The parties may adjust the purchase price for additional capital improvements to the plant and related depreciation. If Furnas terminates the PPA due to a default by EPE, Furnas has the right to purchase the EPE facilities for an amount equal to the lesser of (i) a price based on 80% of the present value of the guaranteed capacity payments remaining in the term of the agreement and (ii) the determined market value of the EPE facilities. If EPE terminates the PPA due to a default by Furnas or Eletrobras, EPE has the right to require Furnas to purchase the EPE facilities for an amount equal to the greater of (i) a price based on 100% of the present value of the guaranteed capacity payments remaining in the term of the agreement and (ii) the determined market value of the EPE facilities.

(ii) Trakya Elektrik Uretim Ve Ticaret Anonim Sirketi (Trakya). ENE, together with Whitewing LP, owns an indirect 50% equity interest in Trakya. Trakya owns and operates a combined cycle gas turbine power plant with a nominal capacity of 478 MW located on the northern coast of the Sea of Marmara near Istanbul, Turkey. The other equity participants in the project are Midlands with a 31% interest, Wing International, Ltd. with a 9% interest, and Gama with an aggregate 10% interest. Trakya sells all of the plant's capacity and energy to the state-owned TETAS under an Energy Sales Agreement.

The plant consists of two combustion turbine generators designed to run on natural gas or distillate fuel oil, two heat recovery system generators, and one steam turbine generator. The plant commenced commercial operations in June 1999. During 2002, the plant suffered a three-month outage to allow for repairs to the steam turbine rotor, which had been damaged due to excessive vibration. Refer to Section XIV.I.2.a., "Uninsured Plant and Equipment Failures" for further information about the risks related to equipment failures.

The plant was built and is owned and operated pursuant to an Implementation Contract between Trakya and the Ministry of Energy. The Implementation Contract has an initial term ending in June 2019, which may be extended if certain conditions are satisfied. There is no guarantee that the conditions for extension will be satisfied or that the contract will be extended. Upon expiration of the Implementation Contract, the plant will be transferred to the Turkish Ministry of Energy free of charge.

Turkey adopted the 2001 Electricity Market Law, which was intended to introduce a free market for the generation, transmission, trading, and distribution of electricity in Turkey. The law also created an independent regulatory body, the Energy Market Regulation Agency, to oversee the energy and natural gas markets in Turkey. In August 2002, the Energy Market Regulation Agency issued a regulation that requires private power generators, including Trakya, to apply for a generation license by June 2003 and to pay an annual license fee. Trakya has applied for this license, but there is no assurance that the license applied for will be granted. While the new regulation does not specifically reject or amend existing private power generation contracts, including the Implementation Contract and the Energy Sales Agreement, it also does not explicitly grant an exemption to existing operators or provide that existing contractual rights prevail in the event of any conflict. Further, the Energy Market Regulation Agency has expressed a desire to renegotiate the terms of existing agreements. Refer to Section XIV.I.1.b., "Regulatory Intervention and Political Pressure" for further information about the risks related to regulatory intervention. Trakya sought to have the Turkish administration court set aside the regulation on the basis that it does not protect the vested rights of Trakya by filing a request for injunctive relief. Trakya's request was denied on July 7, 2003. Trakya has appealed this decision.

(A) Shareholder Arrangements. Trakya's board of directors consists of seven interested members, of which the ENE shareholder appoints three and the other shareholders appoint four. In addition, two independent members are selected by all of the shareholders. Transfers of shares of Trakya are subject to shareholder approval under Trakya's articles of association and shareholder agreement. Further, ENE, Midlands Electricity Plc, The Wing Group, Ltd., and Gama have entered into a Sponsors' Agreement that includes minimum ownership requirements applicable to ENE, Midlands Electricity Plc, and The Wing Group, Ltd. Profits available for distribution to shareholders must first be used to pay corporate taxes and to meet Trakya's obligations and the minimum applicable reserve requirements under Turkish law and the Trakya senior loan agreements.

(B) Customer. All of the capacity and energy produced by the plant is sold to TETAS under the Energy Sales Agreement that is governed by Turkish law. TETAS's payment obligations under the agreement are guaranteed by the Republic of Turkey. Refer to Section XIV.I.2.c., "Concentration of Customers and Suppliers" for further information about the risks related to reliance on a limited number of customers.

The Energy Sales Agreement provides for a tariff primarily expressed and paid in U.S. dollars based on a take-or-pay structure with fixed and variable capacity and energy components. The tariff was originally intended to allow for the recovery of fixed capital costs, servicing of debt, payment of operation and maintenance costs, a pass-through of fuel costs, and a return on investment. The Energy Sales Agreement has an initial 20-year term, expiring in June 2019, which may be extended on the same terms as the Implementation Contract. As with the Implementation Contract, there is no guarantee that the conditions for extension will be satisfied or that the agreement will be extended.

In 2000 and 2001, Trakya did not receive timely payments under the Energy Sales Agreement and faced a dispute over what exchange rate to apply to overdue payments. Trakya's position prevailed, and TETAS has paid all disputed amounts with the exception of certain delay interest that is still outstanding. No assurance can be given, however, that future payment problems and related disputes, which could be triggered or exacerbated by further devaluation of the Turkish lira, will not adversely affect Trakya's results of operations. Refer to Section XIV.I.1.d., "Devaluations of Foreign Currencies" for further information about the risks related to currency devaluations.

(C) Supplier. Natural gas is the plant's primary fuel source and is provided by BOTAS under a take-or-pay Gas Sales Agreement governed by Turkish law with an initial term ending in October 2014. The take-or-pay obligation under the Gas Sales Agreement is based on an approximate level of gas consumption that would be required for Trakya to meet most of its annual net generation requirements under the Energy Sales Agreement. The natural gas purchased under the agreement is priced according to a U.S. dollar-based formula, but payments are made in Turkish lira. BOTAS's payment obligations under the agreement are guaranteed by the Republic of Turkey. Refer to Section XIV.I.2.c., "Concentration of Customers and Suppliers" for further information about the risks related to reliance on a limited number of suppliers.

(D) Associated Debt. The total cost of the plant was approximately $556.5 million and was funded with $417.3 million in senior secured loans set to mature in September 2008, $23.8 million in subordinated shareholder loans set to mature in September 2005, and $115.4 million in equity.

The senior secured loans consist of (1) a $225.1 million loan from Eximbank at a fixed interest rate of 7.95%, (2) an $84.0 million loan from OPIC at a fixed interest rate of 9.803% and (3) a $108.2 million loan from BLB with a floating interest rate that was fixed at 7.8963% by a swap agreement. As of June 30, 2003, the outstanding balances on the Eximbank, OPIC, and BLB loans were approximately $137.5 million, $51.3 million, and $66.2 million, respectively.

The senior debt is secured by Trakya's assets and shares and requires Trakya to establish debt service and other cash reserves currently totaling nearly $100 million. The senior loan agreements also place restrictions on shareholder distributions, payments on subordinated indebtedness, and transfers of shares in Trakya.

Approximately $17.8 million in subordinated shareholder loans remained outstanding as of June 30, 2003. The subordinated loans accrue interest at the rate of 13% per year.

(E) O&M Agreement. O&M services for the plant are provided under a long-term O&M Agreement by an operator consortium composed of two ENE affiliates. Trakya pays an annual fee equal to $500,000 in 1998 dollars indexed to the U.S. Consumer Price Index. The obligations of the consortium are guaranteed by ACFI up to a cap of $1.25 million in 1998 dollars indexed to the U.S. Consumer Price Index and further supported by a letter of credit in the amount of the guarantee cap. The bankruptcy of ACFI has resulted in a default under the senior debt and could result in the termination of the O&M Agreement absent a waiver by Trakya and the lenders. It is contemplated that, subject to receiving the requisite consents and a waiver of the default caused by the ACFI bankruptcy, the operator consortium will be transferred to Prisma, and Prisma will provide replacement credit support for the operator consortium's obligations.

(iii) Puerto Quetzal Power LLC (PQP). ENE owns an indirect 37.5% equity interest in PQP, a Delaware limited liability company that owns 234 MW of effective generation capacity in two facilities located on the Pacific Coast at Puerto Quetzal, Guatemala, 75 kilometers south of Guatemala City. The combined 234 MW output provided about 16% of Guatemala's installed electric capacity in 2002. The other equity participants in the project are Centrans Energy Services, Inc. with a 37.5% interest, and CDC Holdings (Barbados) Ltd. with a 25% interest. Under PQP's operating agreement, most decisions of the members are made by majority vote, while certain extraordinary decisions require unanimous consent. Deadlocks may be resolved by a buy/sell process, and certain transfers of interests trigger a right of first refusal. PQP owns 100% of Poliwatt, its power marketing arm, and Pacific Energy Financing Ltd.

The PQP facilities are sited, and obtain certain services, pursuant to a Contract for Harbor Services and Leasing of Areas with Empresa Portuaria Quetzal. Enron Servicios

Guatemala Ltda., a Guatemala-based company, operates and maintains the PQP facilities pursuant to two O&M agreements and provides marketing support to PQP and to Poliwatt pursuant to two administrative and commercial support agreements. Enron Servicios Guatemala Ltda. is a wholly owned affiliate of ENE, and ENE expects to transfer it to Prisma. Glencore AG provides fuel for the facilities pursuant to a fuel supply agreement expiring in February 2013.

(A) Plant and Equipment. PQP's first plant, commissioned in February 1993, consists of 20 Wärtsilä 18V32D heavy fuel oil-fired generator sets with an effective capacity of 110 MW mounted on two barges (Enron I and Enron II), and related onshore facilities. The second plant, located next to the first and commissioned in July 2000, consists of 7 heavy fuel oil-fired MAN B&W 18V48/60 generator sets with an effective capacity of 124 MW mounted on one barge (Esperanza), and related onshore facilities. A generator in the first plant experienced an electrical failure in December 2002 and was replaced. A second generator experienced a similar failure in July 2003 and is expected to be replaced by September 2003. PQP's eight other generators made by the same manufacturer are undergoing inspection and will likely require repairs. The second plant, which represents a new MAN design, has experienced engine problems for which solutions have been implemented. However, the long-term effectiveness of these solutions cannot be guaranteed.

(B) Market and PPA. PQP has been supplying power since 1993 to EEGSA under a PPA for 110 MW of capacity and a 50% take-or-pay energy obligation. The 20-year term of the PPA ends in February 2013. The original PPA was physical and required that the capacity and energy be delivered from PQP's installations (Enron I and Enron II). In September 2001, the parties modified the agreement by converting it to a financial instrument through which PQP complies with its supply obligations from its installations, contracts with third parties, or the spot market. As of December 2002, the PPA accounted for approximately 51% of PQP's revenues. EEGSA has complied with its payment obligations under the agreement. However, PQP understands that EEGSA has been experiencing liquidity problems and has been unable to pay certain suppliers in a timely fashion. The failure of EEGSA to make full and timely payments to PQP would adversely impact PQP cash flow and could result in PQP defaults on its contractual payment obligations to third parties and under its loan agreements.

PQP has also been supplying power in the Guatemala and El Salvador markets, under short- and medium-term sales agreements (which generate 31% of PQP's revenue) and spot market sales (which generate 18% of PQP's revenue), made directly or through Poliwatt. Poliwatt's market also includes wholesale customers such as local distribution companies, marketers, and generators, and large end-users that do not use an intermediary to buy their energy. Poliwatt does not operate as a separate profit center, but passes through to PQP all revenues received from its power marketing activities, net of costs.

A portion of PQP's output is exposed to merchant market risk. In the absence of contracted sales, in a market in which margins on spot power sales may be volatile as driven not only by basic supply and demand, but also by fuel prices and hydrological conditions, PQP may not be able to sell its merchant power output at prices that provide sufficient revenues to generate any profit margin.

(C) Associated Debt. In December 2000, PQP closed a $123 million senior secured debt refinancing with OPIC and MARAD, which provided funding for the Esperanza plant and paid off the outstanding amount of the initial International Finance Corporation funding for the Enron I and II plants. The term of the debt is 12 years and the principal amortizes in 23 equal installments commencing in June 2001. The debt is secured by all PQP project assets and revenues, by a pledge of all of the member interests in PQP, by cash collateral in several reserve accounts, and by various ENE and Poliwatt guarantees. ENE's support includes capped guarantees of principal and interest payment shortfalls. The principal component of this support was structured to cover the period between the expiration of the original EEGSA PPA and the OPIC and MARAD loan maturities.

ENE's bankruptcy caused a default under the loan documents. Pending the conclusion of negotiations among the lenders, PQP and the sponsors regarding the provision of substitute security to replace the ENE support, the lenders have exercised their rights to trap distributions from PQP and have withheld certain payments from PQP to member affiliates. Although the lenders have not expressed a desire to exercise remedies, they have the right to accelerate payment of the outstanding debt and foreclose on the PQP assets, including applying reserves and trapped cash to the paydown of outstanding loans. In addition, due largely to changes in the insurance market, PQP has been unable to procure on commercially reasonable terms the insurance coverages required by the senior lenders. If OPIC or MARAD refuses to grant a waiver of PQP's failure to obtain such coverages, either lender may assert a default under the loan agreements. OPIC has already requested that PQP fund a $1.5 million insurance reserve out of project cash flow to cover exposure to increased deductibles. There can be no assurances that PQP will be able to cure these defaults.

(D) Regulatory Environment. In Guatemala and El Salvador, generators sell electricity through (1) contracts with distributors, large consumers, generators and marketers or (2) the spot market (domestic or regional). In both countries, in order to participate in the spot market, the participants have to submit sufficient guarantees to cover their performance and payment obligations; however, the market is open to competition. The spot market in Guatemala will dispatch the generation company with the most efficient costs of operation based on weekly-declared costs. The spot market in El Salvador bases its dispatch order on the generators' daily-price bids. Neither Guatemala nor El Salvador has a spot market for capacity, in the sense that generators do not receive a capacity payment from the wholesale market. However, because the Salvadorian spot market is based on price declarations, the capacity payment is included implicitly in the price. In Guatemala, distribution companies are required to contract 100% of their demand and will recover generation costs based on the average of the previous quarter purchasing prices. In El Salvador, distribution companies are not required to contract their demand and are entitled to recover generation costs equivalent to the spot market price.

Due to the merit order dispatch method employed in the Guatemala and El Salvador power markets, the introduction of newer or more cost efficient power plants (including those which can operate on lower cost fuels) could reduce power sales opportunities and margins for PQP. At least one competitor is investigating utilizing a lower cost fuel, the feasibility of which remains to be proven, at a 100MW+ power generation facility located in the region.

Deterioration in Guatemala's political and general business environment in 2002 has increased political instability and financial burdens for the government, which may seek to lower electricity costs by renegotiating private sector PPAs. However, any government-imposed or mandated modification to the PPA would constitute a drastic change in the legal framework governing the electricity sector and therefore would be subject to political and constitutional challenges.

Initiatives have been undertaken to expand the membership of the market regulator (Comision Nacional de Energia Elétrica), which could result in the increased politicization of that important regulatory body.

(E) U.S. Senate Committee on Finance. On February 15, 2002, the Senate Finance Committee announced that it would conduct an investigation of ENE's tax and compensation matters. As part of that inquiry, it re-opened an investigation of substantially the same tax transactions involving PQP that the United States Tax Court dismissed, and the DOJ and the SEC previously reviewed in 1997-1999. Although those agencies brought no charges and assessed no penalties against ENE or PQP, the Committee referred its report to the DOJ in March 2003. No charges or penalties have resulted from the referral.

In August 2003, following publication of the Senate Finance Committee's report, the Guatemalan Congress issued a recommendation that called upon EEGSA, the counterparty to PQP's PPA, to cancel its contracts with PQP. The recommendation also requested the executive branch to consider whether the PPA, or its execution or amendment with EEGSA, may have been harmful to state interests.

The ultimate impact of the recommendation is unclear; however, local counsel advises that the recommendation is not legally binding and does not obligate any party to take any action. Counsel further advises that applicable law may not permit EEGSA to invalidate or rescind the PPA, or permit the executive branch to conclude that the PPA is harmful to state interests. PQP is considering its legal options to ensure that the PPA remains valid and enforceable.

(F) Tax Matters. The fuels utilized by PQP for power generation are exempt from distribution and import taxes. From time to time, the government has initiated efforts to repeal these exemptions, in particular the distribution tax. Losing the distribution tax exemption would result in a significant increase in annual bunker fuel costs. Although PQP may recover a portion of these cost increases from EEGSA or pursuant to the spot market rules, there is no guarantee that PQP would be able to do so. The remainder of the cost increases would have to be passed on to other PQP customers.

(iv) Bahia Las Minas Corp. (BLM). ENE (through EIPSA and EC III) owns approximately an indirect 51% equity interest in BLM. BLM owns and operates a power generation complex with an aggregate installed capacity of 280 MW. The power generation complex is located on the Caribbean coast, in Cativá, Province of Colón, Panama. The Government of Panama owns approximately a 48.5% interest in BLM and former and present employees hold the remaining interests as common stock or preferred stock.

The first plant, commissioned in phases between 1967 and 1973, consists of a power block comprised of three heavy fuel oil-fired boilers that power three steam turbine generators with a total installed capacity of 120 MW and related facilities. The second plant, commissioned in two phases in 1988 and 2000, consists of a combined-cycle power block comprised of three marine diesel fuel oil-fired combustion turbine generator sets and one steam turbine generator set, with a combined installed capacity of 160 MW. In 2002, BLM provided approximately 20% of the electricity generation (and approximately 58% of all thermally generated energy) in Panama. BLM operates the plants under a 40-year generation license granted on December 14, 1998.

BLM has been supplying power since October 1998 to two distribution companies in Panama under PPAs for 83 MW and 135 MW, respectively, of capacity and associated energy. As of December 2002, existing PPAs under contract collectively accounted for approximately 95% of BLM's revenue. The 83-MW agreement terminates in December 2003 and the 135-MW agreement terminates in December 2004. In 2002, BLM was awarded a new 80-MW PPA with a four-year term commencing in January 2005. BLM has also been supplying power in the spot market which, as of December 2002, represented approximately 2% of BLM's revenue. Bids for new contracts will take place in September and October 2003. The pricing and terms and conditions under the two original contracts, which will expire in 2003 and 2004, are more favorable to BLM than those being currently offered by the distribution companies. If BLM is not able to enter into replacement contracts, it would sell most of its energy in the spot market, and because BLM may not always be the lowest-marginal cost thermal producer, it may not have sufficient margin to meet its financial and operational obligations.

The BLM facilities are located on land owned by BLM near the city of Colón on the Caribbean side of Panama. BLM also owns 7.6 acres of commercial land in Panama City, which is currently for sale. EPMS provides administration and management oversight services to BLM under a contract that expires in 2019. Fuel requirements are fulfilled through spot market purchases. Market risk exposure to fuel price risks is partially mitigated through fuel escalation clauses in the PPAs.

As of June 30, 2003, BLM had approximately $53.9 million in long-term third-party debt outstanding, all of which is unsecured, with approximately $12.8 million due at maturity or upon scheduled amortization within the following 12 months. Maturity of its long-term loans will occur in 2006 and 2007. BLM might be required to pay penalties to the Government of Panama if it fails to repay or refinance certain of its long-term debt obligations by January 2004. BLM has twice obtained one-year extensions of this obligation and will try to secure another extension. Pursuant to its revolving credit facility, BLM may not declare or distribute any dividends except under limited circumstances until the facility is repaid. Further, BLM is required to reduce the revolving line of credit from $15.0 million to $13.5 million on September 17, 2003 and to $12.0 million on December 15, 2003 and is currently negotiating with the lender to restructure these reductions.

BLM's revenues in the years 1999 through 2001 and then again in 2003 decreased significantly as a result of certain regulatory decisions. Refer to Section X.C.6., "BLM" for further information. BLM has challenged the fairness of these decisions and claimed that it is owed additional revenues in excess of $10 million. The outcome of these claims is uncertain. If BLM fails to recover the lost revenues resulting from the regulatory decisions or fails to win an increase in contract revenues, then BLM may not have sufficient cash to make future payments due under its loan agreements. In addition, BLM will be required to post bonds when it bids for new power sales agreements. BLM is presently working with local surety providers and certain lenders participating in the existing revolver facility to arrange for bonds and/or lines of credit necessary to meet any bonding requirements for new PPAs. Part of such arrangement may include the pledging of the BLM land listed for sale as security for the letter of credit or bond issuer.

(v) Subic Power Corp. (SPC). ENE owns an indirect 50% interest in SPC. Various entities of the Yuchengco Group of Companies, a diversified business group headquartered in the Philippines, own in the aggregate the remaining 50% of the interests in SPC. SPC owns and operates the Subic Project, a 116 MW diesel power generating facility located at the Subic Bay Freeport Zone, Olongapo City, on Luzon Islands, the Philippines.

The Subic Project commenced commercial operations in February 1994. SPC operates and sells the capacity and energy from the Subic Project under a Build-Operate-Transfer Agreement with the National Power Corporation of the Philippines. The operating parameters under the agreement call for the Subic Project to be utilized as a baseload plant. Under the terms of the Build-Operate-Transfer Agreement, the National Power Corporation supplies at its cost all fuel required for the generation of electricity by the Subic Project and assumes the risk associated with fuel pricing and delivery. The Republic of the Philippines has provided a Performance Undertaking to SPC affirming and guaranteeing the National Power Corporation's obligations under the agreement.

Upon expiration of the 15-year term of the Build-Operate-Transfer Agreement in February 2009, the Subic Project is to be turned over to the National Power Corporation free of charge. If certain events occur before the scheduled transfer date, the National Power Corporation will be required to buy out the Subic Project at a price set forth in the agreement.

Substantially all of SPC's revenue is derived from selling the entire capacity and generated electricity output of the Subic Project to the National Power Corporation. The tariff under the Build-Operate-Transfer Agreement is computed from a formula that contains capacity, fixed O&M and energy components. The tariff is intended to allow for the recovery of fixed capital costs and O&M costs, and a profit margin. The tariff also contains bonus and penalty provisions relating to the Subic Project's heat rate.

The site for the Subic Project is owned by the Subic Bay Metropolitan Authority, which leases it to the National Power Corporation. The National Power Corporation subleases the site to SPC for a term that coincides with the Build-Operate-Transfer Agreement. The Subic Project is operated and maintained by SPC personnel with technical supervision services provided by Enron Subic Power Corp. and advisory services provided by Enron Power Philippines Operating Corp., both of which are expected to be transferred to Prisma.

The total cost of developing and constructing the Subic Project was approximately $132 million, not including capitalized financing costs. The corporate shareholders of SPC made shareholder advances and equity contributions in proportion to their shareholding in a total amount equal to approximately $27 million. SPC issued Senior Secured Notes in an amount equal to $105 million to finance the remainder of the cost of the Subic Project. The notes are non-recourse to the shareholders, bear interest at 9½% per annum and are payable in semi-annual installments of principal and interest through December 2008. The outstanding balance of the notes as of June 30, 2003 was approximately $39.8 million. The noteholders have the right to sell their notes to SPC if ENE ceases to beneficially own at least 25% of the voting stock of SPC or if anyone other than ENE or an affiliate of ENE becomes responsible for the obligations of the operators under their respective operations and maintenance agreements. As of June 30, 2003, SPC also owed approximately $3.5 million to Enron Power Operating Company under an unsecured subordinated note for a performance bonus owed to Enron Power Operating Company for construction of the Subic Project.

The Philippine Bureau of Internal Revenue made income tax assessments on SPC for the years 1994, 1996, and 1997, which SPC has contested in the Philippine court of tax appeals. The amounts of these assessments were approximately Ph₱ 70 million (for 1994), Ph₱ 40 million (for 1996) and Ph₱ 10 million (for 1997). In May 2003, the court of tax appeals ruled in favor of the Philippine Bureau of Internal Revenue with respect to the 1994 assessment and found SPC liable for approximately Ph₱ 120 million (approximately $2.25 million) in unpaid taxes plus delinquency interest. SPC has filed a motion for reconsideration of the ruling, but there is no assurance that SPC will prevail in such motion or on the 1996 and 1997 assessments, or that the Philippine Bureau of Internal Revenue will not make additional income tax assessments for other years. SPC intends to seek a compromise settlement with the Philippine Bureau of Internal Revenue with respect to these three tax cases.

(vi) Other Power Generation Businesses. ENE's remaining power generation businesses are:

- ENS, which owns a gas-fired cogeneration plant located in Poland with 116 MW of electric capacity and 70 MW of thermal capacity, and sells power to Polskie Sieci Electroenergetczne, the state-owned grid company, and steam primarily to Zaklady Chemiczne Organika – Sarzyna, a neighboring chemicals production facility;

- SECLP, which owns a 184 MW fuel oil-fired, barge-mounted power plant located in the Dominican Republic and sells power to Corporacion Dominicana de Electricidad;

- EEC, which owns a 70.5 MW fuel oil-fired power generation facility located in Nicaragua and sells power to Disnorte and Dissur, distribution companies owned by the Spanish group Union Fenosa;

- GMSA, which owns a 70 MW gas and diesel-fired combined cycle power plant located in Argentina and sells power in the spot market and under PPAs with Arcor and CEMSA; and

- MEC, which owns an 88 MW slow-speed diesel-fired power generating facility located in Guam and sells power to the Guam Power Authority.

The table below summarizes the outstanding indebtedness of ENS, SECLP, EEC, and MEC. Each of the loans, other than ENS's subordinated loans, are secured by the assets of the respective company.

Business	Debt Facility	Original Principal Amount ($)	Outstanding Balance as of June 30, 2003 ($)	Maturity Date(s)
ENS	Senior secured term loans split into 2 tranches	118.5 million	106.2 million	2015
	Subordinated term loans	12.75 million	5.5 million	Open
SECLP	Term loans split into 10 tranches	153.25 million	61.1 million	Between 2004 and 2008
EEC	Title XI bonds	50 million	37.5 million	2010
MEC	Term loans split into 2 tranches	135.4 million	126.7 million	2014 and 2017

ENS is in technical default under its senior secured debt facility due to a delay in reaching final plant completion until May 2003. ENS is seeking a waiver of this default. SECLP has received a notice of default under its debt facility because it has historically been unable to service its debt on a timely basis due to operating and design problems and substantial payment delinquencies by the off-taker under the PPA. SECLP's problems with its off-taker appear to be symptomatic of larger liquidity issues facing the off-taker, and the problems have forced the SECLP facility to cease operations on a number of occasions since 1999. EEC and MEC have received notices of default under their respective debt facilities because of ENE's bankruptcy. Defaults under each of these debt facilities give the project lenders the right to prohibit dividend payments, accelerate payment of the outstanding debt, and foreclose on the project assets.

The termination dates for the principal PPAs executed by ENS, SECLP, EEC, and MEC range from 2014 to 2020. The ENS PPA is at risk for an early termination, however, because the Polish government has proposed a restructuring of the electricity sector to facilitate competition, which may lead to the termination of all long-term PPAs between generators and Polskie Sieci Electroenergetczne.

The prices for electricity or steam sold under the principal off-take agreements executed by ENS, SECLP, EEC, and MEC are contractually established in the agreements. However, the Polish regulator imposed specified prices for electricity sold by ENS from June 2000 until July 2001 and continues to regulate prices for steam sold and fuel purchased by ENS. Furthermore, not all off-takers consistently meet their payment obligations. As discussed above, SECLP's off-taker has been delinquent in making payments under its PPA. In addition, two local utilities that have entered into a PPA with EEC and from which EEC derives approximately 86% of its revenues have recently failed to make payments to EEC and other suppliers in a timely manner.

GMSA was financed entirely with equity capital contributed by ENE. Approximately 44% of GMSA's revenue is derived from sales of capacity and spot electricity in the wholesale electricity market, while approximately 42% of its revenue is derived from a PPA with CEMSA set to expire in July 2005 and approximately 14% of its revenue is derived from six PPAs with Arcor set to expire in July 2004. GMSA obtains its fuel requirements under a gas supply agreement set to expire in December 2004.

MEC's generation facility was developed on a build, own, operate and transfer basis under a 20-year Energy Conversion Agreement that expires in January 2019, at which time MEC must transfer its facility to the Guam Power Authority free of charge.

B. Projections and Valuation

1. Projections

In conjunction with formulating the Plan, as set forth on Appendix K: "Prisma Financial Projections – 2004-2006", financial projections have been prepared for Prisma for the three years ending December 31, 2006. The projections are based on a number of assumptions made with respect to the future operations and performance of Prisma and should be reviewed in conjunction with a review of the principal assumptions set forth on Appendix K: "Prisma Financial Projections – 2004-2006". While the projections were prepared in good faith and the Debtors believe the assumptions, when considered on an overall basis, to be reasonable in light of the current circumstances, it is important to note that the Debtors can provide no assurance that such assumptions will be realized and Creditors must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect Prisma's financial results.

2. Valuation

Also in conjunction with formulating the Plan, the Debtors determined that it was necessary to estimate the post-confirmation equity value of Prisma. Accordingly, Blackstone and the Debtors formulated such a valuation, which is utilized in the Blackstone Model. Such valuation is based, in part, on the financial projections prepared by Prisma management and included in Appendix K: "Prisma Financial Projections – 2004-2006". This valuation analysis was used, in part, for the purpose of determining the value of Prisma to be distributed to Creditors pursuant to the Plan and to analyze the relative recoveries to creditors under the Plan.

a. Estimated Value Based upon the methodology described below, the Blackstone Model utilizes an estimated equity value of $815 million, as the mid-point within a valuation range of $713 million to $918 million for Prisma at December 31, 2003. Therefore, assuming 40 million shares of new Prisma Common Stock will be issued and distributed to or on behalf of Creditors pursuant to the Plan, the value of such stock is estimated to range from $17.83 to $22.95 per share. The estimated value is based upon a variety of assumptions, as referenced below under "Variances and Risks," deemed appropriate under the circumstances. The estimated value per share of the Prisma Common Stock may not be indicative of the price at which the Prisma Common Stock will trade when and if a market for the Prisma Common Stock develops, which price could be lower or higher than the estimated value of the Prisma Common Stock. Moreover, management of Prisma believes that there could be a material increase in value if (i) the markets view of Prisma as a publicly-traded enterprise comprised of a portfolio of international assets with favorable access to the debt and equity capital markets, rather than, due to the limited availability of comparable companies and transactions, as a collection of discretely valued assets, and (ii) the market environment for international assets recovers. There can be no assurance that the Prisma Common Stock will subsequently be purchased or sold at prices comparable to the estimated values set forth above. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of numerous risk factors that could affect Prisma's financial results.

b. Methodology A modified discounted cash flow analysis ("Modified DCF") was the primary method used to derive the reorganization value of Prisma based on the financial projections prepared by the Debtors' and Prisma's management. Prisma's management and Blackstone reviewed and evaluated data for possible use in connection with several alternative valuation techniques, including comparable company or transaction multiple methodologies. In addition, where there were prior marketing processes for certain of the Prisma Assets, the results of such processes were examined. These alternative valuation methodologies were ultimately deemed to be of limited applicability for purposes of valuing the Prisma Assets, as well as Prisma in its entirety, considering the limited availability of comparable companies and transactions in the subject industry and geographic markets.

The Modified DCF approach involves deriving the unlevered free cash flows that the Prisma Assets would generate assuming a set of financial projections are realized. Financial projections were prepared by Prisma management to reflect the most likely cash flows available to Prisma in respect of its interests in the Prisma companies, adjusted for the probability that certain material impacts to such cash flows occur. The cash flows for each of the Prisma Assets are discounted at the respective assets' estimated post-restructuring cost of capital to determine an aggregate, "pre-corporate" asset value for Prisma. The cost of capital is derived for each of Prisma's Assets based upon a Capital Asset Pricing Model, utilizing inputs appropriate to each asset's market, size, leverage and other factors. Prisma's projected unallocated corporate expenses are then discounted and deducted from the aggregate pre-corporate value of Prisma's Assets to arrive at a total enterprise and equity value for Prisma. All such discounted cash flows are discounted to December 31, 2003, while projected calendar year 2003 cash and cash flows inuring to the Prisma companies are also reflected in enterprise and equity value and are undiscounted for purposes of this analysis.

c. Variances and Risks. Refer to Section XIV.C., "Variance from Valuations, Estimates and Projections" for a discussion regarding the potential for variance from the projections and valuation described above and Section XIV., "Risk Factors and Other Factors to be Considered" in general for a discussion of the risks associated with Prisma.

ESTIMATES OF VALUE DO NOT PURPORT TO BE APPRAISALS NOR DO THEY NECESSARILY REFLECT THE VALUE THAT MAY BE REALIZED IF ASSETS ARE SOLD. ESTIMATES OF VALUE REPRESENT HYPOTHETICAL REORGANIZED ENTERPRISE VALUES ASSUMING THE IMPLEMENTATION OF THE BUSINESS PLAN AS WELL AS OTHER SIGNIFICANT ASSUMPTIONS. SUCH ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF FORMULATING AND NEGOTIATING A CHAPTER 11 PLAN FOR THE DEBTORS AND ANALYZING THE PROJECTED

RECOVERIES THEREUNDER. THE ESTIMATED EQUITY VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS SET FORTH IN THE PROJECTIONS AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS, WHICH ARE NOT GUARANTEED.

THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE MARKET VALUE OF PRISMA STOCK DISTRIBUTED PURSUANT TO A CHAPTER 11 PLAN. SUCH VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE EQUITY VALUE RANGES ASSOCIATED WITH THE VALUATION ANALYSIS.

ADDITIONALLY, THE VALUES SET FORTH HEREIN ASSUME CERTAIN LEVELS OF TARIFFS OR RATES OF RETURN FOR THE CONSTITUENT ASSETS. SUCH RATES ARE HIGHLY REGULATED, SUBJECT TO PERIODIC CHANGES, AND IN CERTAIN CIRCUMSTANCES ARE THE OUTCOME OF POLITICAL PROCESSES IN THE SUBJECT JURISDICTIONS. THERE IS NO GUARANTEE THAT THE CURRENT RATE LEVELS WILL NOT CHANGE MATERIALLY IN THE FUTURE OR WILL PROVIDE ADEQUATE REIMBURSEMENT FOR THE SERVICES PROVIDED BY PRISMA. ANY SUCH CHANGES ARE ENTIRELY BEYOND PRISMA'S CONTROL AND MAY HAVE A MATERIAL ADVERSE IMPACT ON ACTUAL RESULTS. FURTHER, AS PRISMA OPERATES PRIMARILY IN FOREIGN JURISDICTIONS, SUCH POLITICAL PROCESSES OFTEN LEAD TO GREATER VOLATILITY IN REGULATORY OUTCOMES THAN MIGHT OCCUR IN THE UNITED STATES. ADDITIONALLY, OPERATIONS IN THE EMERGING MARKETS ARE GENERALLY SUBJECT TO GREATER RISK OF GLOBAL ECONOMIC SLOWDOWN, POLITICAL UNCERTAINTY, CURRENCY DEVALUATION, EXCHANGE CONTROLS AND THE ABILITY TO ENFORCE AND DEFEND LEGAL AND CONTRACTUAL RIGHTS THAN ARE DOMESTIC COMPANIES. SUCH RISK FACTORS MAY ALSO HAVE A MATERIAL ADVERSE IMPACT ON PRISMA'S ACTUAL RESULTS.

PRISMA OPERATES IN HEAVILY REGULATED INDUSTRIES IN DIVERSE COUNTRIES, INCLUDING EMERGING MARKETS. CHANGES TO THE CURRENT REGULATORY OR POLITICAL ENVIRONMENT IN THESE COUNTRIES MAY HAVE A MATERIAL ADVERSE IMPACT ON PRISMA'S ACTUAL RESULTS. FOR FURTHER DISCUSSION ON THESE AND OTHER RISKS ATTENDANT WITH PRISMA, REFER TO THE ENTIRETY OF SECTION X., "PRISMA ENERGY INTERNATIONAL INC." AND SECTION XIV., "RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED".

C. Legal Proceedings

Certain of the businesses to be transferred to Prisma are currently involved either as plaintiffs or defendants in pending arbitrations or civil litigation. Those arbitrations or civil litigations that may be material to the businesses are identified below. In addition to these arbitrations or civil litigations, certain of the businesses are involved in regulatory or administrative proceedings. Refer to Section X.A., "Business" for further information about regulatory or administrative proceedings that may be material.

1. Accroven

a. Tecnoconsult Constructor Barcelona S.A. (Tecnoconsult) v. Accroven (No. 27436, Caracas 10th Commercial & Civil Court of the Judicial Circuit of the Metropolitan Area). In May 2002, Tecnoconsult, a subcontractor to Consorcio Tecron, sued Accroven on its own behalf and as an assignee of another subcontractor Moinfra S.A. for approximately $1.8 million in alleged unpaid costs and fees for the construction of the Accroven facilities. Accroven maintains that it is not liable for the claims because it was never in privity with Tecnoconsult or Moinfra. Tecnoconsult has obtained an order to attach Accroven assets. Pending approval by the court, Accroven has posted a bond to preclude such attachment. No date has been set for Accroven to answer the substantive allegations of the complaint.

b. Tecnoconsult Constructor Barcelona S.A. (Tecnoconsult) v. Accroven Caracas 11th Commercial & Civil Court of the Judicial Circuit of the Metropolitan Area). Consorcio Tecron and nine other subcontractors have also alleged that Accroven owes them unpaid costs and fees for the construction of the Accroven facilities. In June 2003, Accroven settled with the nine subcontractors for approximately $2.1 million. In July 2003, Tecnoconsult filed suit against Accroven, asserting that Consorcio Tecron assigned to it claims for approximately $2 million. Accroven has not yet been served with the suit, but expects to assert similar defenses in this action.

2. Transredes

a. CNA Insurance Company (Europe) Ltd. and LaBoliviana Cuacruz de Seguros y Reasseguros v. Transredes (London Commercial Court). Transredes's pipeline suffered an abrasion in January 2000, which caused an estimated 29,000 barrels of oil to be spilled into the Desaguadero River near the village of Calacoto. Transredes presented a claim for approximately $50 million in clean-up and third-party liability costs that it incurred, paid, and recorded in its financials to its insurer, LaBoliviana. In March 2000, CNA, a reinsurer to LaBoliviana, filed an action in London Commercial Court to void the reinsurance policy and to otherwise disclaim any obligation to indemnify LaBoliviana. The parties have been ordered to mediate by the court.

b. Carolina Ortiz Paz v. Transredes S.A. (Santa Cruz 6th Civil Court, Bolivia). In December 2002, Carolina Ortiz Paz filed a civil action for $10 million in damages against Transredes claiming diminution of property value and lost opportunity to develop her real estate project because the ONSZ-2 Transredes line crosses her property. Transredes is vigorously defending the suit and has joined state-owned YPFB to the action, which Transredes argues is liable for any failure to obtain and present titles of easement to the disputed property.

3. Centragas

a. Centragas v. Ecogas and Ecopetrol (ICC Arbitration, Paris, France). In July 2001, Centragas initiated an ICC arbitration against Ecogas and Ecopetrol, Colombian government entities. Centragas seeks to recover proceeds from Ecogas and/or Ecopetrol in an unspecified amount resulting from a change in Colombian tax laws that limits the tariffs that Centragas can charge to Ecopetrol or Ecogas. Centragas also seeks to clarify disputes over the quality of the gas transported through Centragas's pipeline and an agreement to filter the gas. The Arbitral Tribunal recently issued an interim finding holding that it has jurisdiction over the dispute. An evidentiary hearing on the merits has not yet been scheduled.

4. Elektro

a. Elektro v. Federal Tax Authority (13th Federal Court São Paulo). Elektro has filed an action seeking to enjoin the Brazilian Federal Tax Authority from increasing the tax basis for Elektro's social security contribution and social integration taxes. The lower court granted a preliminary, and then a permanent, injunction to Elektro. An appeal is pending. If Elektro does not prevail, it will be required to pay additional social security contribution and social integration taxes of over approximately $24 million (as of June 30, 2003).

b. Elektro v. National Electricity Regulator (ANEEL) (XXI Federal Court, Brasília Circuit). Elektro has filed an action seeking to enjoin ANEEL from requiring Elektro to pay its quota under the Energy Development Act on the basis that payment of the fee would affect the economic and financial balance under the Concession Agreement. The approximately $2.7 million in dispute (as of June 30, 2003) relates to the two-month period prior to ANEEL's institution of a compensation program designed to limit the burden of the quota on energy companies. The case is pending a decision by the lower court.

c. Elektro v. São Paulo Tax Authority (5th State Court São Paulo). Elektro has filed a lawsuit in state court to obtain a legal determination of the proper methodology for the calculation of ICMS (a Value Added Tax), which is imposed at the state level. On September 1, 2003, an injunction was granted at the appeal level (the 10th Court of the Public Treasury) blocking Brazilian fiscal authorities from levying fines, penalties, or corrections pursuant to Elektro's calculation of the ICMS tax. Such injunction is valid until the case on the merits has been decided.

There can be no assurance that the case will ultimately be decided in Elektro's favor. Since privatization, Elektro has calculated ICMS based on measured capacity of electric energy. This was the calculation utilized by CESP, Elektro's state-owned predecessor, and is based on legal grounds established by several pre- and post-privatization opinions, as well as legal precedent. Other LDC's calculate the ICMS tax based on contracted demand, independent of actual energy consumption, which results in a greater tax burden to the end-user and a larger tax base for the state. This situation was identified in an on-going informal monitoring process by the state authorities that was initiated in early 2002, but no formal notification from the authorities has been received. Total exposure to Elektro in the event of an unfavorable finding is approximately $6 million, which includes interest, but assumes no penalties.

d. Criminal Investigations. The Brazilian Penal Code requires a criminal investigation upon an occurrence alleged to cause physical damage, death, or environmental damage in the concession area. Once completed, the investigating body submits a report to the Criminal Court for review by a Public Attorney who may (i) request a criminal proceeding; (ii) request further investigation; or (iii) recommend that the matter be closed. There are currently 46 such investigations underway relating to accidents that occurred in the Elektro concession area. Additionally, one investigation is pending regarding a controversy in calculation of payment of ICMS, a state tax collected by the LDC's from their consumers. In the four years since the concession was granted, no investigation has resulted in a formal criminal charge or prosecution.

5. Cuiabá

a. Empresa Produtora de Energia Ltda. (EPE) v. AGF Brazil Seguros S.A. (AGF) (São Paulo Civil Court). In August 2002, EPE filed suit against AGF, a Brazilian insurance company, to recover approximately $30 million in insurance proceeds for business interruption and material damages resulting from a turbine failure at its power plant in Cuiabá. AGF has denied coverage on various grounds, including that EPE failed to disclose material defects in the blades that led to the failure. EPE denies this contention and intends to vigorously pursue its rights against AGF.

b. Gasocidente do Mato Grosso Ltda. (GasMat) v. AGF Brazil Seguros S.A. (AGF) (São Paulo Civil Court). In August 2002, GasMat filed suit against AGF to recover approximately $4 million in insurance proceeds for contingent business interruption resulting from the turbine failure at the EPE power plant in Cuiabá. AGF has denied coverage. GasMat intends to vigorously pursue its rights against AGF.

c. Gas Oriente Boliviana Ltda. (GasBol), Southern Cone Gas Ltd. (SCG), and Transborder Gas Services Ltd. (TBS) v. La Boliviana Ciacruzde Seguros Y Reaseguros, International Oil Insurers (IOI) and Following Reinsurers (London Court of International Arbitration). In August 2003, GasBol, SCG, and TBS filed a demand for arbitration against LaBoliviana, IOI (lead reinsurer), and following reinsurers to recover approximately $13 million in insurance proceeds for contingent business interruption resulting from the turbine failure at the EPE power plant in Cuiaba. The insurers have denied coverage. GasBol, SCG, and TBS intend to vigorously pursue their rights.

6. BLM

a. As a result of the enactment by the Ente Regulador Servicios Públicos of Panama of Resolution JD-1700, which effectively reduced the volume of energy that distribution companies were obligated to purchase under BLM's existing PPAs, BLM experienced a decrease in revenues. As a result, BLM has initiated several arbitral and judicial proceedings in Panama against Ente Regulador, the Government of Panama, and one of BLM's power purchasers, in an effort to obtain restitution of lost revenues totaling in excess of $8.5 million. These cases are still pending.

b. In other proceedings, BLM has filed claims challenging the Ente Regulador's implementation of Resolutions JD-3797 and JD-3920, which require BLM to reissue invoices under its PPAs utilizing a new pricing parity index for fuel established by the Panama Ministry of Commerce & Industry. This action by Ente Regulador had the effect of adjusting downward the fuel component of the price of energy under BLM's PPAs for a five-month period. The amount currently in dispute is approximately $1.7 million.

c. Bahia Las Minas Corp., Aseguradora Mundial, S.A. v. Cox Insurance Holdings, PLC, et al. (No. 6-02-453, U.S. District Court, Southern District of Texas, Houston Division). BLM filed suit in 2002 in the U.S. District Court for the Southern District of Texas in Galveston against a consortium of reinsurers led by Cox Insurance Holdings to recover in excess of $5 million in extra-contractual damages, insurance proceeds for property damage and interruption of service, prejudgment interest, and attorneys' fees resulting from a lightning strike. The suit was transferred to Houston. The parties attended mediation on August 7, 2003. Although BLM settled with AIG, the mediation did not lead to a settlement with any of the other carriers. The parties do not have any additional mediation dates scheduled, and the matter is set for trial in January 2004. The parties are commencing discovery.

7. ENS

a. Polskie Gornictwo Naftowe i Gazownictwo, S. A. (PGNiG) v. Elektrocieplownia Nowa Sarzyna Sp. z o. o. (ENS) (No. VI Gco 56/03, Circuit Court, 6th Commercial Division, Rzeszow, Poland). In March 2003, PGNiG filed an application for injunction against ENS to secure approximately $9 million in claims under the long-term gas supply contracts between the parties. The underlying disputes began in mid-2000 when the Polish government instituted a new regulatory scheme for gas prices. ENS contended that the prices PGNiG could charge it for gas supplies could not exceed the prices found in PGNiG's approved tariff. PGNiG, on the other hand, claimed it was entitled to charge ENS the higher prices under the gas supply agreements. The parties signed a settlement agreement on August 1, 2003. Pursuant to the settlement, PGNiG has waived its claims against ENS and has filed a petition with the court to discontinue the injunction proceedings. As part of the settlement, the parties agreed that from January 1, 2003 going forward ENS will pay for gas according to PGNiG's approved tariff. This litigation has been dismissed.

8. SECLP

SECLP is a defendant in several legal proceedings in the Dominican Republic, including:

a. Five lawsuits brought between 2000-2003 by approximately 200 residents and businesses against SECLP and Smith Cogeneration International, Inc., alleging that the operation of the Puerto Plata power plant damaged property values in their community of Costambar. Damages are unspecified and no trial date has been set.

b. An arbitration proceeding brought by an operator of a hotel alleging SECLP breached a settlement agreement arising from a nuisance dispute related to operation of the Puerto Plata power plant. The plaintiff obtained an award of DOP187,000,000 (approximately $6 million) plus interest. SECLP has appealed the award on several grounds, including that the arbitration panel did not proceed properly.

c. A lawsuit filed in 2001 against CDC, CDCB, SECLP and five other defendants in which the plaintiff seeks to recover approximately DOP500,000,000 (approximately $15.6 million) from CDC that it claims CDC wrongfully dispersed to SECLP and the other defendants. SECLP is not a party to the agreement between CDC and the plaintiff that is the subject of the lawsuit, and has filed a motion to be dismissed from the case.

d. Several lawsuits filed by Montecristi Corp. in 1998 against SECLP, Smith Cogeneration Management, and Smith Cogeneration International, and Don Smith claiming breach of an alleged joint venture agreement related to the plaintiff's participation in the Puerto Plata power plant project. At the time the suits were filed, plaintiff sought approximately $15 million in damages, the enforcement of the alleged joint venture agreement and the appointment of a judicial administrator to operate the power plant until the matter was resolved. Based on a prior settlement and release, a court in New York enjoined the plaintiff from prosecuting the action against the defendants in the Dominican Republic. To date, the Dominican courts have declined to recognize the injunction or to halt the cases pending in the Dominican Republic, and SECLP has appealed to the Dominican Supreme Court.

D. Directors

On the Effective Date, Prisma's board of directors will consist of individuals designated by the Debtors, after consultation with the Creditors' Committee, all of which shall be disclosed prior to the Confirmation Hearing. In the event that, during the period from the Confirmation Date up to and including the Effective Date, circumstances require the substitution of one (1) or more persons selected to serve, the Debtors shall file a notice thereof with the Bankruptcy Court and, for purposes of section 1129 of the Bankruptcy Code, any such replacement person, designated after consultation with the Creditors' Committee, shall be deemed to have been selected or disclosed prior to the Confirmation Hearing. Thereafter, the terms and manner of selection of directors of Prisma shall be as provided in Prisma's organizational documents, as the same may be amended. Each director will serve until a successor is elected and qualified or until his or her earlier resignation or removal.

Set forth below is biographical information for five individuals who are expected to be members of Prisma's board of directors on the Effective Date. Each of these directors have held their position at Prisma since Prisma's formation or shortly thereafter.

1. Ron W. Haddock

Ron W. Haddock, 63, is executive chairman of Prisma and an employee of an affiliate of Prisma. He was president and CEO of FINA, Inc. from 1989 until 2000. He joined FINA in Dallas in 1986 as executive vice president and chief operating officer. Prior to joining FINA, Mr. Haddock was with Exxon for 23 years in various engineering and management positions, including vice president and director of Exxon's operations in the Far East, executive assistant to the chairman, vice president of refining, and general manager of corporate planning. Mr. Haddock currently also serves on the boards of ENE (post-bankruptcy), Elektro, Alon Energy USA, Southwest Securities, Adea Solutions, Safety Kleen and SepraDyne. Mr. Haddock has a degree in mechanical engineering from Purdue University. He is a resident of Dallas.

2. John W. Ballantine

John W. Ballantine, 57, has been a private investor since 1998, when he left First Chicago NBD Corporation/The First National Bank of Chicago as its Chief Risk Management

Officer and Executive Vice President. During his career with First Chicago, Mr. Ballantine held senior positions including head of international banking, head of New York banking, and Chief Credit and Market Risk Officer. He currently also serves on the boards of ENE (post-bankruptcy), Scudder Funds, First Oak Brook Bancshares and the Oak Brook Bank and American Healthways. Mr. Ballantine has a bachelor's degree from Washington and Lee University and an MBA from the University of Michigan, Ann Arbor. He is a resident of Chicago.

3. Philippe A. Bodson

Philippe A. Bodson, 58, has experience as a chief executive officer for utility and industrial concerns with international activities, including Glaverbel from 1980-1989, Tractebel from 1989-1999 and Lernout & Hauspie (post-bankruptcy) in 2001. Mr. Bodson also has extensive board experience, including serving as a director for Glaverbel, Diamond Boart, Societé Generale, Fortis, and British Telecom Belgium. Mr. Bodson has a degree in civil engineering from the University of Leige in Belgium and a master's degree in business administration from INSEAD. He is a resident of Brussels, Belgium.

4. Lawrence S. Coben

Lawrence S. "Larry" Coben, 45, is the senior principal of Sunrise Capital Partners. Mr. Coben previously served as chief executive officer of Bolivian Power Company, Ltd., managing director of Liberty Power Corp., Chairman of Recovery Corporation of America and senior vice president of Catalyst Energy Corporation. He is president of the board of directors of New York Stage and Film, a director of the Bolivian-American Chamber of Commerce and co-chairman of the Lieberman 2004 National Energy Policy Committee. Mr. Coben has a bachelor's degree in economics from Yale University and a juris doctorate degree from Harvard Law School Mr. Coben also has a master's degree and is completing a doctorate in anthropology from the University of Pennsylvania. He is a resident of New Hampshire.

5. Dr. Paul K. Freeman

Dr. Paul K. Freeman, 53, has been a consultant since 1998 to international financial institutions on designing strategies for developing countries to cope with natural disasters. During that same period, Dr. Freeman variously served as adjunct professor at the University of Denver, visiting research fellow at Oxford University, project leader at the International Institute for Applied Systems Analysis and lecturer at the University of Vienna. Dr. Freeman was chief executive of the ERIC Companies, an environmental risk management firm, from 1985-1998 and a practicing attorney specializing in international law from 1975-1985. He currently serves on the corporate advisory board of the Wharton School Risk and Decision Process Center at the University of Pennsylvania and the board of trustees of the Scudder Mutual Funds. Dr. Freeman has a bachelor's degree in economics from the University of Denver, juris doctorate degree from Harvard Law School, and a doctorate in economics from the University of Vienna. He is a resident of Denver.

E. Equity Compensation Plan

Following the effectiveness of the Plan, in order to attract, retain and motivate highly competent persons as key employees and non-employee directors of Prisma, Prisma expects to adopt a long-term equity incentive compensation plan providing for awards to such individuals over the ten-year term of the equity plan. The percentage of such awards of Prisma Common Stock, on a fully diluted basis, is expected to be determined following consultation with the Creditors' Committee.

XI. The Litigation Trust and Special Litigation Trust

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. The Litigation Trust

1. Establishment of the Trust

On the Effective Date, the Debtors, on their own behalf and on behalf of holders of Allowed Claims in Classes 3 through 178 shall execute the Litigation Trust Agreement and shall take all other steps necessary to establish the Litigation Trust. On the Effective Date, and in accordance with and pursuant to the terms of Section 19.4 of the Plan, the Debtors shall transfer to the Litigation Trust all of their right, title, and interest in the Litigation Trust Claims. In connection with the above-described rights and causes of action, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) shall be transferred to the Litigation Trust and shall vest in the Litigation Trustee and its representatives, and the Debtors, the Debtors in Possession and the Litigation Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges.

2. Purpose of the Litigation Trust

The Litigation Trust shall be established for the sole purpose of liquidating its assets, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

3. Funding Expenses of the Litigation Trust

In accordance with the Litigation Trust Agreement and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall transfer such amounts of Cash as jointly determined by the Debtors and the Creditors' Committee as necessary to fund the operations of the Litigation Trust. The Debtors and the Reorganized Debtors shall have no further obligation to provide any funding with respect to the Litigation Trust.

4. Transfer of Assets

a. The transfer of the Litigation Trust Claims to the Litigation Trust shall be made, as provided in the Plan, for the benefit of the holders of Allowed Claims in Classes 3 through 178, only to the extent such holders in such Classes are entitled to distributions under the Plan. In partial satisfaction of Allowed Claims in Classes 3 through 178, the Litigation Trust

Claims shall be transferred to such holders of Allowed Claims, to be held by the Debtors on their behalf. Immediately thereafter, on behalf of the holders of Allowed Claims in Classes 3 through 178, the Debtors shall transfer such Litigation Trust Claims to the Litigation Trust in exchange for Litigation Trust Interests for the benefit of holders of Allowed Claims in Classes 3 through 178, in accordance with the Plan. Upon the transfer of the Litigation Trust Claims, the Debtors shall have no interest in or with respect to the Litigation Trust Claims or the Litigation Trust.

b. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Litigation Trustee and the beneficiaries of the Litigation Trust) shall treat the transfer of assets to the Litigation Trust in accordance with the terms of the Plan, as a transfer to the holders of Allowed Claims in Classes 3 through 178, followed by a transfer by such holders to the Litigation Trust and the beneficiaries of the Litigation Trust shall be treated as the grantors and owners thereof.

5. Valuation of Assets

As soon as possible after the Effective Date, but in no event later than thirty (30) days thereafter, the Litigation Trust Board shall inform, in writing, the Litigation Trustee of the value of the assets transferred to the Litigation Trust, based on the good faith determination of the Litigation Trust Board, and the Litigation Trustee shall apprise, in writing, the beneficiaries of the Litigation Trust of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Litigation Trustee and the beneficiaries of the Litigation Trust) for all federal income tax purposes.

6. Litigation; Responsibilities of Litigation Trustee

a. The Litigation Trustee, upon direction by the Litigation Trust Board and the exercise of their collective reasonable business judgment, shall, in an expeditious but orderly manner, liquidate and convert to Cash the assets of the Litigation Trust, make timely distributions and not unduly prolong the duration of the Litigation Trust. The liquidation of the Litigation Trust Claims may be accomplished either through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise. The Litigation Trustee, upon direction by the Litigation Trust Board, shall have the absolute right to pursue or not to pursue any and all Litigation Trust Claims as it determines is in the best interests of the beneficiaries of the Litigation Trust, and consistent with the purposes of the Litigation Trust, and shall have no liability for the outcome of its decision except for any damages caused by willful misconduct or gross negligence. The Litigation Trustee may incur any reasonable and necessary expenses in liquidating and converting the assets to Cash and shall be reimbursed in accordance with the provisions of the Litigation Trust Agreement.

b. The Litigation Trustee shall be named in the Confirmation Order or in the Litigation Trust Agreement and shall have the power (i) to prosecute for the benefit of the Litigation Trust all claims, rights and causes of action transferred to the Litigation Trust (whether such suits are brought in the name of the Litigation Trust or otherwise), and (ii) to otherwise perform the functions and take the actions provided for or permitted in the Plan or in any other agreement executed by the Litigation Trustee pursuant to the Plan. Any and all proceeds generated from such claims, rights, and causes of action shall be the property of the Litigation Trust.

7. Investment Powers

The right and power of the Litigation Trustee to invest assets transferred to the Litigation Trust, the proceeds thereof, or any income earned by the Litigation Trust, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 19.8 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Litigation Trustee may expend the assets of the Litigation Trust (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Litigation Trust or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement; and, provided, further, that, under no circumstances, shall the Litigation Trust segregate the assets of the Litigation Trust on the basis of classification of the holders of Litigation Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the Plan.

8. Annual Distribution; Withholding

The Litigation Trustee shall distribute at least annually to the holders of Litigation Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Litigation Trust may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Litigation Trust or in respect of the assets of the Litigation Trust), and (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement. All such distributions shall be pro rata based on the number of Litigation Trust Interests held by a holder compared with the aggregate number of Litigation Trust Interests outstanding, subject to the terms of the Plan and the Litigation Trust Agreement. The Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Litigation Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

9. Reporting Duties

a. Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Litigation Trustee of a private letter ruling if the Litigation Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Litigation Trustee), the Litigation Trustee shall file returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Litigation Trustee shall also annually send to each holder of a Litigation Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and will instruct all such holders to report such items on their federal income tax returns.

b. Allocations of Litigation Trust Taxable Income. Allocations of Litigation Trust taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described in the Plan) if, immediately prior to such deemed distribution, the Litigation Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Litigation Trust Interests, taking into account all prior and concurrent distributions from the Litigation Trust (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Litigation Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Litigation Trust Claims. The tax book value of the Litigation Trust Claims for this purpose shall equal their fair market value on the Effective Date or, if later, the date such assets were acquired by the Litigation Trust, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

c. Other. The Litigation Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Litigation Trust that are required by any governmental unit.

10. Trust Implementation

On the Effective Date, the Litigation Trust shall be established and become effective for the benefit of Allowed Claims in Classes 3 through 178. The Litigation Trust Agreement shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Litigation Trust as a grantor trust for federal income tax purposes. All parties (including the Debtors, the Litigation Trustee and holders of Allowed Claims in Classes 3 through 178) shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Litigation Trust.

11. Registry of Beneficial Interests

The Litigation Trustee shall maintain a registry of the holders of Litigation Trust Interests.

12. Termination

The Litigation Trust shall terminate no later than the fifth (5th) anniversary of the Effective Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Litigation Trust if it is necessary to the liquidation of the Litigation Trust Claims. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term.

13. Net Litigation Trust Recovery/Assignment of Claims

a. Net Judgment. Notwithstanding anything contained in the Plan to the contrary, in the event that a defendant in a litigation brought by the Litigation Trustee for and on behalf of the Litigation Trust (i) is required by a Final Order to make payment to the Litigation Trust (the "Judgment Amount"), and (ii) is permitted by a Final Order to assert a right of setoff under section 553 of the Bankruptcy Code or applicable non-bankruptcy law against the Judgment Amount (a "Valid Setoff"), (y) such defendant shall be obligated to pay only the excess, if any, of the amount of the Judgment Amount over the Valid Setoff and (z) none of the Litigation Trust, the holders or beneficiaries of the Litigation Trust Interests shall be entitled to assert a claim against the Debtors or the Reorganized Debtors with respect to the Valid Setoff.

b. Assignment. Notwithstanding anything contained in the Plan to the contrary, in the event that a compromise and settlement of a Litigation Trust Claim or a Final Order with respect to a Litigation Trust Claim provides for a waiver, subordination or disallowance of a defendant's Claim or Claims against one or more of the Debtors, for purposes of computing amounts of distributions, (i) such defendant shall be deemed to have assigned such Claim or Claims and right to receive distributions in accordance with the Plan to the Litigation Trust, (ii) the Disbursing Agent shall make distributions with respect to such Allowed Claims to the Litigation Trust and (iii) such defendant shall not be entitled to receive distributions from the Litigation Trust on account thereof.

B. The Special Litigation Trust

1. Establishment of the Trust

On the Effective Date, the Debtors, on their own behalf and on behalf of holders of Allowed Claims in Classes 3 through 178 shall execute the Special Litigation Trust Agreement and shall take all other steps necessary to establish the Special Litigation Trust. On the Effective Date, and in accordance with and pursuant to the terms of Section 20.4 of the Plan, the Debtors shall transfer to the Special Litigation Trust all of their right, title, and interest in the Special Litigation Trust Claims. In connection with the above-described rights and causes of action, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Special Litigation Trust shall vest in the Special Litigation Trustee and its representatives, and the Debtors and the Special Litigation Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges.

2. Purpose of the Special Litigation Trust

The Special Litigation Trust shall be established for the sole purpose of liquidating its assets, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

3. Funding Expenses of the Special Litigation Trust

In accordance with the Special Litigation Trust Agreement and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall transfer such amounts of Cash as jointly determined by the Debtors and the Creditors' Committee as necessary to fund the operations of the Special Litigation Trust. The Debtors and the Reorganized Debtors shall have no further obligation to provide any funding with respect to the Special Litigation Trust.

4. Transfer of Assets

a. The transfer of the Special Litigation Trust Claims to the Special Litigation Trust shall be made, as provided in the Plan, for the benefit of the holders of Allowed Claims in Classes 3 through 178, only to the extent such holders in such Classes are entitled to distributions under the Plan. In partial satisfaction of Allowed Claims in Classes 3 through 178, the Special Litigation Trust Claims shall be transferred to such holders of Allowed Claims, to be held by the Debtors on their behalf. Immediately thereafter, on behalf of the holders of Allowed Claims in Classes 3 through 178, the Debtors shall transfer such Special Litigation Trust Claims to the Special Litigation Trust in exchange for Special Litigation Trust Interests for the benefit of holders of Allowed Claims in Classes 3 through 178, in accordance with the Plan. Upon the transfer of the Special Litigation Trust Claims, the Debtors shall have no interest in or with respect to the Special Litigation Trust Claims or the Special Litigation Trust.

b. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Special Litigation Trustee and the beneficiaries of the Special Litigation Trust) shall treat the transfer of assets to the Special Litigation Trust in accordance with the terms of the Plan, as a transfer to the holders of Allowed Claims in Classes 3 through 178, followed by a transfer by such holders to the Special Litigation Trust and the beneficiaries of the Special Litigation Trust shall be treated as the grantors and owners thereof.

5. Valuation of Assets

As soon as possible after the Effective Date, but in no event later than thirty (30) days thereafter, the Special Litigation Trust Board shall inform, in writing, the Special Litigation Trustee of the value of the assets transferred to the Special Litigation Trust, based on the good faith determination of the Special Litigation Trust Board, and the Special Litigation Trustee shall apprise, in writing, the beneficiaries of the Special Litigation Trust of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Special Litigation Trustee and the beneficiaries of the Special Litigation Trust) for all federal income tax purposes.

6. Litigation of Assets; Responsibilities of Special Litigation Trustee

a. The Special Litigation Trustee, upon direction by the Special Litigation Trust Board and the exercise of their collective reasonable business judgment, shall, in an expeditious but orderly manner, liquidate and convert to Cash the assets of the Special Litigation Trust, make timely distributions and not unduly prolong the duration of the Special Litigation Trust. The liquidation of the Special Litigation Trust Claims may be accomplished either through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise. The Special Litigation Trustee, upon direction by the Special Litigation Trust Board, shall have the absolute right to pursue or not to pursue any and all claims, rights, or causes of action, as it determines is in the best interests of the beneficiaries of the Special Litigation Trust, and consistent with the purposes of the Special Litigation Trust, and shall have no liability for the outcome of its decision except for any damages caused by willful misconduct or gross negligence. The Special Litigation Trustee may incur any reasonable and necessary expenses in liquidating and converting the assets to Cash.

b. The Special Litigation Trustee shall be named in the Confirmation Order or in the Special Litigation Trust Agreement and shall have the power (i) to prosecute for the benefit of the Special Litigation Trust all claims, rights and causes of action transferred to the Special Litigation Trust (whether such suits are brought in the name of the Special Litigation Trust or otherwise), and (ii) to otherwise perform the functions and take the actions provided for or permitted herein or in any other agreement executed by the Special Litigation Trustee pursuant to the Plan. Any and all proceeds generated from such claims, rights, and causes of action shall be the property of the Special Litigation Trust.

7. Investment Powers

The right and power of the Special Litigation Trustee to invest assets transferred to the Special Litigation Trust, the proceeds thereof, or any income earned by the Special Litigation Trust, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 20.8 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Special Litigation Trustee may expend the assets of the Special Litigation Trust (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Special Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Special Litigation Trust or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Special Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Special Litigation Trust Agreement; and, provided, further, that, under no circumstances, shall the Special Litigation Trust segregate the assets of the Special Litigation Trust on the basis of classification of the holders of Special Litigation Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the Plan.

8. Annual Distribution; Withholding

The Special Litigation Trustee shall distribute at least annually to the holders of Special Litigation Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Special Litigation Trust may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Special Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Special Litigation Trust or in respect of the assets of the Special Litigation Trust), and (iii) to satisfy other liabilities incurred or assumed by the Special Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Special Litigation Trust Agreement. All such distributions shall be pro rata based on the number of Special Litigation Trust Interests held by a holder compared with the aggregate number of Special Litigation Trust Interests outstanding, subject to the terms of the Plan and the Special Litigation Trust Agreement. The Special Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Special Litigation Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

9. Reporting Duties

a. Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Special Litigation Trustee of a private letter ruling if the Special Litigation Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Special Litigation Trustee), the Special Litigation Trustee shall file returns for the Special Litigation Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Special Litigation Trustee shall also annually send to each holder of a Special Litigation Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and shall instruct all such holders to report such items on their federal income tax returns.

b. Allocations of Special Litigation Trust Taxable Income. Allocations of Special Litigation Trust taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Special Litigation Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Special Litigation Trust Interests, taking into account all prior and concurrent distributions from the Special Litigation Trust (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Special Litigation Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Special Litigation Trust Claims. The tax book value of the Special Litigation Trust Claims for this purpose shall equal their fair market value on the Effective Date or, if later, the date such assets were acquired by the Special Litigation Trust, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

c. Other. The Special Litigation Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Special Litigation Trust that are required by any governmental unit.

10. Trust Implementation

On the Effective Date, the Special Litigation Trust shall be established and become effective for the benefit of Allowed Claims in Classes 3 through 178. The Special Litigation Trust Agreement shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Special Litigation Trust as a grantor trust for federal income tax purposes. All parties (including the Debtors, the Special Litigation Trustee and holders of Allowed Claims in Classes 3 through 178 shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Special Litigation Trust.

11. Registry of Beneficial Interests

The Special Litigation Trustee shall maintain a registry of the holders of Special Litigation Trust Interests.

12. Termination

The Special Litigation Trust shall terminate no later than the fifth (5th) anniversary of the Effective Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Special Litigation Trust if it is necessary to the liquidation of the Special Litigation Trust Claims. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term.

13. Net Special Litigation Trust Recovery/Assignment of Claims

a. Net Judgment. Notwithstanding anything contained in the Plan to the contrary, in the event that a defendant in a litigation brought by the Special Litigation Trustee for and on behalf of the Special Litigation Trust (i) is required by a Final Order to pay a Judgment Amount to the Special Litigation Trust and (ii) is permitted by a Final Order to assert a Valid Setoff, (y) such defendant shall be obligated to pay only the excess, if any, of the amount of the Judgment Amount over the Valid Setoff and (z) none of the Special Litigation Trust, the holders or beneficiaries of the Special Litigation Trust Interests shall be entitled to assert a claim against the Debtors or the Reorganized Debtors with respect to the Valid Setoff.

b. Assignment. Notwithstanding anything contained herein to the contrary, in the event that a compromise and settlement of a Special Litigation Trust Claim or a Final Order with respect to a Special Litigation Trust Claim provides for a waiver, subordination or disallowance of a defendant's Claim or Claims against one or more of the Debtors, for purposes of computing amounts of distributions, (i) such defendant shall be deemed to have assigned such Claim or Claims and right to receive distributions in accordance with the Plan to the Special Litigation Trust, (ii) the Disbursing Agent shall make distributions with respect to such Allowed Claims to the Special Litigation Trust and (iii) such defendant shall not be entitled to receive distributions from the Special Litigation Trust on account thereof.

XII. Equity Trusts

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Preferred Equity Trust

1. Establishment of the Trust

On or after the Confirmation Date, but prior to the Effective Date, the Debtors, on their own behalf and on behalf of holders of Allowed Equity Interests in Class 373, shall execute the Preferred Equity Trust Agreement and shall take all other steps necessary to establish the Preferred Equity Trust. On such date of execution, or as soon as practicable thereafter, including, without limitation, subject to appropriate or required governmental, agency or other consents, and in accordance with and pursuant to the terms of Section 23.4 of the Plan, the Debtors shall issue to the Preferred Equity Trust the Exchanged Enron Preferred Stock subject to the Preferred Equity Trust Agreement. Notwithstanding anything contained herein to the contrary, there shall be separate classes of Preferred Equity Trust Interests that (a) separately reflect the distributions and other economic entitlements and (b) maintain the following order of priority with respect to the separate classes of Exchanged Preferred Equity Interests contributed: (1) Series 1 Exchanged Preferred Stock and Series 2 Exchanged Preferred Stock on a *pari passu* basis; (2) Series 3 Exchanged Preferred Stock; and (3) Series 4 Exchanged Preferred Stock.

2. Purpose of the Preferred Equity Trust

The Preferred Equity Trust shall be established for the sole purpose of holding the Exchanged Enron Preferred Stock in accordance with Treasury Regulation Section 301.7701-4(d) and the terms and provisions of the Preferred Equity Trust Agreement. Without limiting the foregoing, the Preferred Equity Trust Agreement shall provide that, to the extent that the Preferred Equity Trust receives Cash distributions under the Plan in respect of a particular class of Exchanged Preferred Equity Interests, it will redistribute such Cash to the holders of the separate class of Preferred Equity Trust Interests that corresponds to such class of Exchanged Preferred Equity Interests, but in no event will any holder of Preferred Equity Trust Interests receive a distribution of Exchanged Enron Preferred Stock.

3. Funding Expenses of the Preferred Equity Trust

In accordance with the Preferred Equity Trust Agreement and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall have no obligation to provide any funding with respect to any of the Preferred Equity Trust.

4. Transfer of Preferred Stock

a. The issuance of the Exchanged Enron Preferred Stock to the Preferred Equity Trust shall be made, as provided in the Plan, for the benefit of the holders of Allowed Enron Preferred Equity Interests in Class 373.

b. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Preferred Equity Trustee and the beneficiaries of the Preferred Equity Trust) shall treat the issuance of the Exchanged Enron Preferred Stock to the respective Preferred Equity Trust in accordance with the terms of the Plan, as an issuance to the holders of Allowed Enron Preferred Equity Interests in Class 373, followed by a transfer by such holders to the Preferred Equity Trust and the beneficiaries of the Preferred Equity Trust shall be treated as the grantors and owners thereof.

5. Investment Powers

The right and power of the Preferred Equity Trustee to invest assets transferred to the Preferred Equity Trust, the proceeds thereof, or any income earned by the Preferred Equity Trust, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 23.6 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Preferred Equity Trustee may expend the assets of the Preferred Equity Trust (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Preferred Equity Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Preferred Equity Trust or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Preferred Equity Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Preferred Equity Trust Agreement; and, provided, further, that, under no circumstances, shall the Preferred Equity Trust segregate the assets of the Preferred Equity Trust on the basis of classification of the holders of Preferred Equity Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions hereof.

6. Annual Distribution; Withholding

The Preferred Equity Trustee shall distribute at least annually to the holders of each class of Preferred Equity Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents) attributable to such class; provided, however, that the Preferred Equity Trust may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Preferred Equity Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Preferred Equity Trust or in respect of the assets of the Preferred Equity Trust), and (iii) to satisfy other liabilities incurred or assumed by the Preferred Equity Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Preferred Equity Trust Agreement. All such distributions with respect to a given class of Preferred Equity Trust Interests shall be pro rata based on the number of Preferred Equity Trust Interests of such class held by a holder compared with the aggregate number of Preferred Equity Trust Interests of such class outstanding, subject to the terms of the Plan and the respective Preferred Equity Trust Agreement. The Preferred Equity Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Preferred Equity Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Notwithstanding the foregoing, any distributions to be made on account of the separate classes of Preferred Equity Trust Interests shall be made in the following order of priority with respect to the separate classes of Exchanged Preferred Equity Interests contributed: (1) Series 1 Exchanged Preferred Stock and Series 2 Exchanged Preferred Stock on a *pari passu* basis; (2) Series 3 Exchanged Preferred Stock; and (3) Series 4 Exchanged Preferred Stock.

7. Reporting Duties

a. Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Preferred Equity Trustee of a private letter ruling if the Preferred Equity Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Preferred Equity Trustee), the Preferred Equity Trustee shall file returns for the Preferred Equity Trust as a grantor trust (consisting of separate shares for each class of Exchanged Enron Preferred Stock owned by the Preferred Equity Trust) pursuant to Treasury Regulation Section 1.671-4(a). The Preferred Equity Trustee shall also annually send to each holder of a Preferred Equity Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and shall instruct all such holders to report such items on their federal income tax returns.

b. Allocations of Preferred Equity Trust Taxable Income. Allocations of Preferred Equity Trust taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Preferred Equity Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Preferred Equity Trust Interests (treating any holder of a Disputed Claim, for this purpose, as a current holder of a Preferred Equity Trust Interest entitled to distributions), taking into account all prior and concurrent distributions from the Preferred Equity Trust (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Preferred Equity Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining assets of the Preferred Equity Trust. The tax book value of the assets of the Preferred Equity Trust for this purpose shall equal their fair market value on the date the Preferred Equity Trust was created or, if later, the date such assets were acquired by the Preferred Equity Trust, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

c. Other. The Preferred Equity Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Preferred Equity Trust that are required by any governmental unit.

8. Trust Implementation

On the Effective Date, the Preferred Equity Trust shall be established and become effective for the benefit of Allowed Enron Preferred Equity Interests in Class 373. The Preferred

Equity Trust Agreement shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Preferred Equity Trust as a grantor trust for federal income tax purposes. All parties (including the Debtors, the Preferred Equity Trustee and holders of Allowed Enron Preferred Equity Interests in Class 373) shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Preferred Equity Trust.

9. Registry of Beneficial Interests

The Preferred Equity Trustee shall maintain a registry of the holders of Preferred Equity Trust Interests.

10. Termination

The Preferred Equity Trust shall terminate no later than the third (3rd) anniversary of the Confirmation Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Preferred Equity Trust if it is necessary to the liquidation of the assets of Preferred Equity Trust. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term; provided, however, that the aggregate of all such extensions shall not exceed three (3) years from and after the third (3rd) anniversary of the Confirmation Date.

11. Non-Transferability or Certification

Upon the creation of the Preferred Equity Trust, the Preferred Equity Trust Interests shall be allocated on the books and records of the Preferred Equity Trust to the appropriate holders thereof, but the Preferred Equity Trust Interests shall not be certificated and shall not be transferable by the holder thereof except through the laws of descent or distribution.

B. Common Equity Trust

1. Establishment of the Trusts. On or after the Confirmation Date, but prior to the Effective Date, the Debtors, on their own behalf and on behalf of holders of Allowed Enron Common Equity Interests in Class 374, shall execute the Common Equity Trust Agreement and shall take all other steps necessary to establish the respective Common Equity Trust. On such date of execution, or as soon as practicable thereafter, including, without limitation, subject to appropriate or required governmental, agency or other consents, and in accordance with and pursuant to the terms of Section 24.4 of the Plan, the Debtors shall issue to the Common Equity Trust the Exchanged Enron Common Stock subject to the Common Equity Trust Agreement.

2. Purpose of the Common Equity Trust. The Common Equity Trust shall be established for the sole purpose of holding the Exchanged Enron Common Stock in accordance with Treasury Regulation Section 301.7701-4(d) and the terms and provisions of the Common Equity Trust Agreement. Without limiting the foregoing, the Common Equity Trust Agreement shall provide that, to the extent that the Common Equity Trust receives Cash distributions under the Plan, it will redistribute such Cash to the holders to the Common Equity Trust Interests, but in no event will any holder of Common Equity Trust Interests receive a distribution of Exchanged Enron Common Stock.

3. Funding Expenses of the Common Equity Trust. In accordance with the Common Equity Trust Agreement and any agreements entered into in connection therewith, on the Effective Date, the Debtors shall have no obligation to provide any funding with respect to any of the Common Equity Trust.

4. Transfer of Common Stock

a. The issuance of the Exchanged Enron Common Stock to the Common Equity Trust shall be made, as provided in the Plan, for the benefit of the holders of Allowed Enron Common Equity Interests in Class 374.

b. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Common Equity Trustee and the beneficiaries of the Common Equity Trust) shall treat the issuance of the Exchanged Enron Common Stock to the respective Common Equity Trust in accordance with the terms of the Plan, as an issuance to the holders of Allowed Enron Common Equity Interests in Class 374, followed by a transfer by such holders to the Common Equity Trust and the beneficiaries of the Common Equity Trust shall be treated as the grantors and owners thereof.

5. Investment Powers. The right and power of the Common Equity Trustee to invest assets transferred to the Common Equity Trust, the proceeds thereof, or any income earned by the Common Equity Trust, shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 24.6 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise, and (b) the Common Equity Trustee may expend the assets of the Common Equity Trust (i) as reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Common Equity Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Common Equity Trust or fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Common Equity Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Common Equity Trust Agreement; and, provided, further, that, under no circumstances, shall the Common Equity Trust segregate the assets of the Common Equity Trust on the basis of classification of the holders of Common Equity Trust Interests, other than with respect to distributions to be made on account of Disputed Claims and Disputed Equity Interests in accordance with the provisions of the Plan.

6. Annual Distribution; Withholding. The Common Equity Trustee shall distribute at least annually to the holders of Common Equity Trust Interests all net cash income plus all net cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Common Equity Trust may retain such amounts

(i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Common Equity Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Common Equity Trust or in respect of the assets of the Common Equity Trust), and (iii) to satisfy other liabilities incurred or assumed by the Common Equity Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Common Equity Trust Agreement. All such distributions shall be pro rata based on the number of Common Equity Trust Interests held by a holder compared with the aggregate number of Common Equity Trust Interests outstanding, subject to the terms of the Plan and the respective Common Equity Trust Agreement. The Common Equity Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Common Equity Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

7. Reporting Duties

a. Federal Income Tax. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Common Equity Trustee of a private letter ruling if the Common Equity Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Common Equity Trustee), the Common Equity Trustee shall file returns for the Common Equity Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Common Equity Trustee shall also annually send to each holder of a Common Equity Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction or credit and shall instruct all such holders to report such items on their federal income tax returns.

b. Allocations of Common Equity Trust Taxable Income. Allocations of Common Equity Trust taxable income shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described in the Plan) if, immediately prior to such deemed distribution, the Common Equity Trust had distributed all of its other assets (valued for this purpose at their tax book value) to the holders of the Common Equity Trust Interests (treating any holder of a Disputed Claim, for this purpose, as a current holder of a Common Equity Trust Interest entitled to distributions), taking into account all prior and concurrent distributions from the Common Equity Trust (including all distributions held in escrow pending the resolution of Disputed Claims). Similarly, taxable loss of the Common Equity Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining assets of the Common Equity Trust. The tax book value of the assets of the Common Equity Trust for this purpose shall equal their fair market value on the date the Common Equity Trust was created or, if later, the date such assets were acquired by the Common Equity Trust, adjusted in either case in accordance with tax accounting principles prescribed by the IRC, the regulations and other applicable administrative and judicial authorities and pronouncements.

c. Other. The Common Equity Trustee shall file (or cause to be filed) any other statements, returns or disclosures relating to the Common Equity Trust that are required by any governmental unit.

8. Trust Implementation. On the Effective Date, the Common Equity Trust shall be established and become effective for the benefit of Allowed Enron Common Equity Interests in Class 374. The Common Equity Trust Agreement shall be filed in the Plan Supplement and shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Common Equity Trust as a grantor trust for federal income tax purposes. All parties (including the Debtors, the Common Equity Trustee and holders of Allowed Enron Common Equity Interests in Class 374 shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Common Equity Trust.

9. Registry of Beneficial Interests. The Common Equity Trustee shall maintain a registry of the holders of Common Equity Trust Interests.

10. Termination. The Common Equity Trust shall terminate no later than the third (3rd) anniversary of the Confirmation Date; provided, however, that, on or prior to the date three (3) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Common Equity Trust if it is necessary to the liquidation of the assets of Common Equity Trust. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least three (3) months prior to the expiration of each extended term; provided, however, that the aggregate of all such extensions shall not exceed three (3) years from and after the third (3rd) anniversary of the Confirmation Date.

11. Non-Transferability or Certification. Upon the creation of the Common Equity Trust, the Common Equity Trust Interests shall be allocated on the books and records of the Common Equity Trust to the appropriate holders thereof, but the Common Equity Trust Interests shall not be certificated and shall not be transferable by the holder thereof except through the laws of descent or distribution.

XIII. Securities Laws Matters

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

Holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims will receive shares of Prisma Common Stock, CrossCountry Common Stock, and PGE Common Stock to the extent not sold or subject to a purchase agreement in a Sale Transaction, and the holders of Allowed Claims in Classes 3 through 178 will receive Litigation Trust Interests and Special Litigation Trust Interests, pursuant, and subject, to the Plan. The initial issuance of PGE Common Stock, CrossCountry Common Stock, and Prisma Common Stock may not occur for an indeterminate number of months after the Effective Date of the Plan because such issuance will be subject to the following conditions with respect to each issuer of such securities: (i) General Unsecured Claims shall have been allowed in an amount that would result in the distribution of 30% of the common stock of such issuer, and (ii) the necessary consents to issue such common stock shall have been obtained. Section 1145 of the Bankruptcy Code provides certain exemptions from the securities registration requirements of federal and state securities laws with respect to the distribution of securities under a plan of reorganization.

A. Issuance and Resale of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests and Special Litigation Trust Interests Under the Plan

In reliance upon section 1145 of the Bankruptcy Code, the offer and issuance of PGE Common Stock, CrossCountry Common Stock, and Prisma Common Stock to the holders of the Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims, and the issuance of the Litigation Trust Interests and Special Litigation Trust Interests to the holders of Allowed Claims in Classes 3 through 178 will be exempt from the registration requirements of the Securities Act and equivalent provisions in state securities laws. Section 1145(a) of the Bankruptcy Code generally exempts from these registration requirements the issuance of securities if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (A) a debtor, (B) one of its affiliates participating in a joint plan with the debtor, or (C) a successor to a debtor under the plan; and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate, or are issued principally in such exchange and partly for cash or property. The Debtors believe that the exchange of the Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims, and of the Claims in Classes 3 through 178 under the circumstances described in the Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

The PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, and Special Litigation Trust Interests will be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code. In addition, the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, and Special Litigation Trust Interests generally may be resold by the holders thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, holders of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, and Special Litigation Trust Interests are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(i) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (a) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, (b) offers to sell securities issued under a plan for the holders of such securities, or (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act.

An entity is not an "underwriter" under section 2(a)(11) of the Securities Act with regard to securities received under Section 1145(a)(1), in "ordinary trading transactions" made on a national securities exchange or a NASDAQ market. However, there can be no assurances that such securities will be listed on an exchange or NASDAQ market. What constitutes "ordinary trading transactions" within the meaning of section 1145 of the Bankruptcy Code is the subject of interpretive letters by the staff of the SEC. Generally, ordinary trading transactions are those that do not involve (i) concerted activity by recipients of securities under a plan of reorganization, or by distributors acting on their behalf, in connection with the sale of such securities, (ii) use of informational documents in connection with the sale other than the disclosure statement relating to the plan, any amendments thereto, and reports filed by the issuer with the SEC under the Exchange Act, or (iii) payment of special compensation to brokers or dealers in connection with the sale.

With respect to clause (d) in the third paragraph of this Section A above, an "issuer" of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests includes any person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, an issuer of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, the Litigation Trust Interests, or Special Litigation Trust Interests. "Control" (as defined in Rule 405 under the Securities Act) means the possession, whether directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. Accordingly, an officer, director or trustee (if applicable) of an issuer of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests may be deemed to be a "control" person of an issuer of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests, respectively, particularly if the management position or directorship is coupled with ownership of a significant percentage of the voting securities of such issuer. Additionally, the legislative history of section 1145 of the Bankruptcy Code provides that a creditor who receives at least 10% of the voting securities of an issuer under a plan of reorganization will be presumed to be a statutory underwriter within the meaning of section 1145(b)(i) of the Bankruptcy Code.

Resales of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests by persons deemed to be statutory underwriters will not be exempt from the registration requirements under the Securities Act or other applicable law by virtue of section 1145 of the Bankruptcy Code. Because the issuers of the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, and Special Litigation Trust Interests do not propose to register any of the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, and Special Litigation Trust Interests under the Securities Act, persons deemed to be statutory underwriters must either have the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests, as the case may be, held by them registered for resale with the SEC or use an available exemption from registration.

Under certain circumstances, persons having a control relationship with the applicable issuer of the PGE Common Stock, CrossCountry Common Stock, Prisma Common

Stock, Litigation Trust Interests, or Special Litigation Trust Interests may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act, to the extent available, and in compliance with applicable state and foreign securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold in any three month period, the requirement that the securities be sold in a "brokers transaction" or in a transaction directly with a "market maker" and that notice of the resale be filed with the SEC. The Debtors cannot assure, however, that adequate current public information will exist with respect to any issuer of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests and, therefore, that the safe harbor provisions of Rule 144 of the Securities Act will be available.

Pursuant to the Plan, certificates evidencing PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests received by any person whom the issuer of the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests determines to be a person deemed to be a statutory underwriter will bear a legend substantially in the form below:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE [COMPANY] [TRUSTEE] RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED."

Any Person entitled to receive PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests whom the issuer of PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests determines to be a person deemed to be a statutory underwriter may instead receive certificates evidencing PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests without such legend if, prior to the distribution of such securities, such Person delivers to such issuer (i) an opinion of counsel reasonably satisfactory to such issuer to the effect that the PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust Interests to be received by such Person are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing PGE Common Stock, CrossCountry Common Stock, Prisma Common Stock, Litigation Trust Interests, or Special Litigation Trust

Interests bearing such legend may present such certificate to the transfer agent for such securities for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) the applicable securities are sold pursuant to an effective registration statement under the Securities Act, (ii) such holder delivers to the issuer of the applicable securities an opinion of counsel reasonably satisfactory to such issuer to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code, or (iii) such holder delivers to the issuer of the applicable securities an opinion of counsel reasonably satisfactory to such issuer to the effect that such securities are no longer subject to such restrictions pursuant to an exemption under the Securities Act and such securities may be sold without registration under the Securities Act or to the effect that such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF PGE COMMON STOCK, CROSSCOUNTRY COMMON STOCK, PRISMA COMMON STOCK, LITIGATION TRUST INTERESTS, OR SPECIAL LITIGATION TRUST INTERESTS MAY BE AN UNDERWRITER OR AN AFFILIATE OF AN ISSUER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF PGE COMMON STOCK, CROSSCOUNTRY COMMON STOCK, PRISMA COMMON STOCK, LITIGATION TRUST INTERESTS, AND SPECIAL LITIGATION TRUST INTERESTS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH PGE COMMON STOCK, CROSSCOUNTRY COMMON STOCK, PRISMA COMMON STOCK, LITIGATION TRUST INTERESTS, OR SPECIAL LITIGATION TRUST INTERESTS.

B. Remaining Asset Trust, Preferred Equity Trust, Common Equity Trust and Operating Trusts

The interests in the Remaining Asset Trust, Preferred Equity Trust and Common Equity Trust and, if created, the Operating Trusts, will be allocated on the Effective Date to the applicable holders. Such interests will not be certificated or transferable, except through the laws of descent or distribution. Distributions, if any, to holders of the interests in the Remaining Asset Trust, Preferred Equity Trust, and Common Equity Trust will be limited to cash.

XIV. Risk Factors and Other Factors to be Considered

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CAREFULLY CONSIDER EACH OF THE FACTORS SET FORTH BELOW, AS WELL AS OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE HEREIN.

THE RISKS AND UNCERTAINTIES DESCRIBED BELOW SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Bankruptcy Risks

1. Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications will not necessitate the re-solicitation of votes. In particular, the Plan embodies various settlements and compromises and there can be no assurance that the Bankruptcy Court will approve such settlements and compromises as part of the confirmation of the Plan.

2. Non-Consensual Confirmation

In the event any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtors' request if at least one impaired Class has accepted the Plan (such acceptance being determined without including the vote of any "insider" in such Class), and as to each impaired Class that has not accepted the Plan, if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. Refer to Section XIX., "Confirmation Of The Plan" for further information. The Debtors believe that the Plan satisfies these requirements.

3. Risk of Non-Occurrence or Delayed Occurrence of the Effective Date

Although the Debtors believe that the Effective Date will occur after the Confirmation Date following satisfaction of any applicable conditions precedent, there can be no assurance as to the timing of the Effective Date. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or been waived by the Debtors, then the Confirmation Order will be vacated, in which event no distributions would be made under the Plan, the Debtors and all holders of Claims and Equity Interests would be restored to the status quo ante as of the day immediately preceding the Confirmation Date, and the Debtors' obligations with respect to Claims and Equity Interests would remain unchanged. Furthermore, the Effective Date may be delayed for several months pending the fulfillment of such conditions.

4. Delayed Distribution or Non-Distribution of Plan Securities

The Prisma Common Stock, CrossCountry Common Stock, and PGE Common Stock will not be distributed to the holders of the Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims until sufficient General Unsecured Claims have been allowed to permit a distribution of 30% of such securities and any necessary consents have been obtained to issue such securities. Refer to Section XIII., "Securities Laws Matters" for further information. Furthermore, the Prisma Common Stock, CrossCountry Common Stock, or PGE Common Stock will never be distributed if a Sale Transaction with regard to 100% of the equity, or all or substantially all of the assets of, Prisma, CrossCountry, or PGE, as the case may be, has occurred prior to distribution, but the net proceeds from such sale will be included in the Creditor Cash available for distribution pursuant to the terms of the Plan. There can be no assurance of when sufficient Claims will be allowed for the distribution of 30% of the Prisma Common Stock, CrossCountry Common Stock, and PGE Common Stock and as to when or if any of the necessary consents can be obtained to prevent the exercise of any rights upon a change of ownership or control of Prisma, CrossCountry, or PGE. Accordingly, there can be no assurances as to when, or if, Prisma Common Stock, CrossCountry Common Stock, and PGE Common Stock will ever be distributed to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, Allowed Wind Guaranty Claims, and Allowed Intercompany Claims.

5. Severability

As set forth in Section 39.12 of the Plan, the Debtors may choose to go forward with confirmation of the Plan with regard to certain Debtors' estates, but may choose to exclude certain Debtors' estates from confirmation. If one or more Debtors are severed from confirmation of the Plan, the amount of distributions to Creditors pursuant to the Plan could be affected.

B. Negative Impact of Prepetition Activities

1. Inability to Rely on Financial Statements

As discussed in Section II.B., "Representations", ENE has publicly stated that its financial statements filed with the SEC for the fiscal years ended 1997 through 2000, and for the first three quarters of 2001, should not be relied upon. In addition, since the bankruptcy, ENE has not engaged an independent auditor and has not published ENE financial statements. The inability to rely on past financial statements, the lack of an ENE auditor, and the resignation or termination of numerous Enron Companies' employees have and may continue to have a negative impact on the Enron Companies, including the Operating Entities, and adversely affect the value recovered on other assets.

2. Government Investigations and Litigation

The existence of ongoing litigation and governmental investigations regarding prepetition activities have and may continue to have a negative impact on the Enron Companies, including the Operating Entities, or the value of the recovery on any other assets. The Enron Companies have been the subject of numerous lawsuits, including class actions, derivative lawsuits, and arbitration proceedings in the United States, and in various jurisdictions around the world. ENE and certain of its current and former employees are also the subject of a number of governmental investigations, including by the U.S. Congress, DOJ, SEC, Office of Public Utility Counsel, EPA, and FERC. There can be no assurance that additional claims or investigations will not be made against the Enron Companies, including the Operating Entities, relating to the prepetition activities of ENE and its Affiliates. It is impossible to predict or determine the final outcome or resolution of any of the unresolved proceedings. However, such investigations may result in, among other things, assessment of fines and penalties and/or criminal charges against all or some of the Enron Companies and their current or former employees. In addition, the DOJ could declare certain or all of the assets of the Enron Companies subject to criminal forfeiture by the federal government. Refer to Sections IV.C.1., "Pending Litigation", IV.C.2., "Government Investigations" and IX.C., "Historical Financials, Projections and Valuation" for further information.

3. Financing Transactions

As part of their business, the Enron Companies utilized a number of on- and off-balance sheet financing structures. As part of a number of these transactions, certain assets may have been transferred to or otherwise become subject to restrictions associated with the financing structures. It is important to note that there is no guarantee that any value from these assets will inure to the benefit of the Debtors' estates. Additionally, there are significant liabilities associated with the financing transactions and several billion dollars in claims have been filed against Debtors in connection with these transactions. Refer to Section III.F., "Debtors' Financing Transactions" for further information.

C. Variance from Valuations, Estimates and Projections

The estimated recoveries and valuations set forth in this Disclosure Statement and the projections, valuations and estimates set forth in Appendix C: "Estimated Assets, Claims and Distributions", Appendix G: "Reorganized Debtors' Budget", Appendix H: "PGE Financial Projections – 2003-2006", Appendix J: "CrossCountry Financial Projections – 2003-2006", Appendix K: "Prisma Financial Projections – 2004-2006", and Appendix L: "Liquidation Analysis" are highly speculative and based on information available at the time that each analysis was prepared. Actual results will vary materially from those reflected herein. Refer to the entirety of this Section XIV., "Risk Factors and Other Factors to be Considered" for a discussion of potential risks and variances.

1. Forward Looking Statements

Each of the estimated recoveries and valuations set forth in this Disclosure Statement and the projections, valuations and estimates set forth in Appendix C: "Estimated Assets, Claims and Distributions", Appendix G: "Reorganized Debtors' Budget", Appendix H: "PGE Financial Projections – 2003-2006", Appendix J: "CrossCountry Financial Projections – 2003-2006", Appendix K: "Prisma Financial Projections – 2004-2006", and Appendix L: "Liquidation Analysis" are based, in large part, on forward looking statements.

Forward-looking statements are statements of expectations, beliefs, plans, objectives, assumptions, projections, and future events or performance. These statements, estimates and projections may or may not prove to be correct. Actual results could differ materially from those reflected in the forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed. Such risks and uncertainties include, without limitation: risks inherent in the Chapter 11 process, such as the non-confirmation of the Plan, non-occurrence or delayed occurrence of the Effective Date, or delayed distribution or non-distribution of Plan Securities; the uncertain outcomes of ongoing litigation and governmental investigations involving the Operating Entities and the Debtors, including those involving the U.S. Congress, DOJ, SEC, Office of Public Utility Counsel, EPA, and FERC; the effects of negative publicity on the Operating Entities' business opportunities; the effects of the departure of past and present employees of the Debtors; the uncertain resolution of SPE issues; the preliminary and uncertain nature of valuations and estimates contained in the Plan; financial and operating restrictions that may be imposed on an Operating Entity and its subsidiaries if ENE is required to register under PUHCA; potential environmental liabilities; increasing competition and operational hazards faced by the Debtors and Operating Entities; the lack of independent operating history of the Operating Entities; and economic, political, regulatory, and legal risks affecting the finances and operations of the Operating Entities.

The Debtors, the Reorganized Debtors, PGE, CrossCountry, Prisma, and the other Enron Companies undertake no obligation to update any forward-looking statement included in the projections to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible to predict all such factors, nor can the impact of any such factor be assessed.

2. Estimated Recoveries

The recovery estimates set forth herein are based on various estimates and assumptions. For example, if the estimated amount of Allowed Claims relied upon to calculate the estimated recoveries ultimately varies significantly from the actual amount of Allowed Claims, then actual creditor recoveries will vary significantly as well. Similarly, as the estimated amount of Allowed Claims is a forward-looking statement based upon information available to the Debtors as of June 1, 2003, the actual results may vary significantly as Claims are Allowed or otherwise resolved over time.

Over 23,000 proofs of claim have been filed in these Chapter 11 Cases. The aggregate amount of Claims filed and scheduled exceeds $310 billion, including duplication, but excluding any estimated amounts for the approximately 5,000 filed unliquidated Claims. These unliquidated Claims currently render it impossible for the Debtors to determine the maximum amount of their potential liability. In addition, the priority of claims and assertions by certain parties as to their entitlement to liens and/or constructive trusts may change the value available to satisfy Allowed General Unsecured Claims.

3. Valuations

If the estimated value of assets (including, but not limited to, estimates of available Creditor Cash, recoveries on the Remaining Assets, and the valuation of the stock in PGE, CrossCountry and Prisma to be distributed to Creditors) set forth herein ultimately vary significantly from actual results, then actual creditor recoveries will vary significantly as well. Similarly, as the estimated value of assets are forward-looking statements based upon information available to the Debtors as of July 1, 2003 (except in certain circumstances, as to which information was updated through August 11, 2003), the actual results may vary significantly as Claims are Allowed or otherwise resolved over time.

a. Remaining Assets. With respect to the Remaining Assets, the estimated recoveries, valuations and projections are based, in part, on estimated proceeds generated by a sale or other disposition of substantially all of these assets. Many of these assets have been on the market or the subject of inquiries since the Initial Petition Date, but have not been sold for a variety of reasons, including, but not limited to, poor market conditions and the need to resolve complex ownership issues, pending litigation or government investigations, tax issues, and consent issues. In some cases, the Reorganized Debtors will be attempting to sell non-controlling financial interests for which a limited market exists. Due to the inherent uncertainties associated with selling these assets as a result of the issues identified above, there can be no assurance that these assets will be sold at presently estimated prices or at presently estimated times, if at all. Similarly, the recoveries of the Debtors (or the Reorganized Debtors, as the case may be) against counterparties on trading contracts are dependent on the creditworthiness and ability to pay of the counterparties.

b. Creditor Cash. The inability to sell or otherwise convert the Remaining Assets to cash may materially impact, among other things, the value of the Plan Currency. As a result of the foregoing, the Creditor Cash available for distribution as a result of liquidation of the Remaining Assets may be impacted.

c. Operating Entities Generally. Estimates of value of the Operating Entities do not purport to be appraisals nor do they necessarily reflect the values that may be realized if assets are sold. The estimates of value represent hypothetical equity values assuming the implementation of each of the Operating Entities' business plan, as well as other significant assumptions. Such estimates were developed solely for purposes of formulating and negotiating the Plan and analyzing the projected recoveries thereunder. Any estimated equity value is highly dependent upon achieving the future financial results set forth in the projections for each of the Operating Entities, as well as the realization of certain other assumptions that are not guaranteed.

The valuations of each of the Operating Entities set forth herein represent estimated values and do not necessarily reflect values that could be attainable in public or private markets for the Operating Entities or their constituent assets. The equity value ascribed in the valuation analysis does not purport to be an estimate of the market value of stock to be distributed pursuant to the Plan. Such trading value, if any, may be materially different from the equity value associated with the valuation analysis.

d. PGE. The valuation of PGE set forth herein assumes that the current regulatory environment remains unchanged. However, PGE operates in a heavily regulated industry. Changes to the current regulatory environment may have a material adverse impact on PGE's actual results. For further discussion on these and other risks attendant with PGE and the electric utility industry, refer to the entirety of this Section XIV., "Risk Factors and Other Factors to be Considered", as well as Section VIII., "Portland General Electric Company".

e. CrossCountry. The valuation of CrossCountry set forth herein assumes certain levels of rates for the transportation of natural gas as set by FERC. Such rates are highly regulated and subject to periodic changes. There is no guarantee that the current rate levels will not change materially in the future or will provide adequate reimbursement for the services provided by CrossCountry and its subsidiaries. Any such changes are entirely beyond

CrossCountry's control and may have a material adverse impact on actual results. Further, CrossCountry operates in a heavily regulated industry. In the ordinary course of its business, CrossCountry is subject regularly to inquiries, investigations and audits by federal and state agencies that oversee various natural gas pipeline regulations. Changes to the current regulatory environment may have a material adverse impact on CrossCountry's actual results. In addition, the valuation of CrossCountry assumes that the Pipeline Businesses will successfully complete ongoing expansion projects, and that certain receivables due from ENE or its Affiliates will be treated in accordance with the Plan. If the expansions are not completed as planned or if the receivables due from ENE are not ultimately recoverable under the Plan, there may be a material adverse impact on CrossCountry's actual results. For further discussion on these and other risks attendant with CrossCountry and the natural gas pipeline industry, refer to the entirety of this Section XIV., "Risk Factors and Other Factors to be Considered", as well as Section IX., "CrossCountry Energy Corp."

f. Prisma. The valuation of Prisma set forth herein assumes certain levels of tariffs or rates of return for the constituent assets. Such rates are highly regulated, subject to periodic changes, and in certain circumstances are the outcome of political processes in the subject jurisdictions. There is no guarantee that the current rate levels will not change materially in the future or will provide adequate reimbursement for the services provided by Prisma and its subsidiaries. Any such changes are entirely beyond Prisma's control and may have a material adverse impact on actual results. Further, as Prisma operates primarily in foreign jurisdictions, such political processes often lead to greater volatility in regulatory outcomes than might occur in the United States. Additionally, operations in the emerging markets are generally subject to greater risk of global economic slowdown, political uncertainty, currency devaluation, exchange controls and the ability to enforce and defend legal and contractual rights than are domestic companies. Such risk factors may also have a material adverse impact on Prisma's actual results. For further discussion on these and other risks attendant with Prisma and the industries in which it is involved, refer to the entirety of this Section XIV., "Risk Factors and Other Factors to be Considered", as well as Section X., "Prisma Energy International Inc."

4. Financial Projections

The Debtors have prepared the projections set forth in Appendix H: "PGE Financial Projections – 2003-2006", Appendix I: "CrossCountry Historical Financials" and Appendix K: "Prisma Financial Projections – 2004-2006" (as well as incorporated into the estimated creditor recoveries and valuations included herein) based on certain assumptions that they believe are reasonable under the circumstances. Certain assumptions are described in each of the relevant Appendices. The projections have not been compiled or examined by independent accountants. The Debtors make no representations regarding the accuracy of the projections or any ability to achieve forecasted results. Many of the assumptions underlying the projections are subject to significant uncertainties. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the ultimate financial results. Therefore, the actual results achieved will vary from the forecasts, and the variations may be material. In evaluating the Plan, Creditors are urged to examine carefully all of the assumptions underlying the financial projections.

5. Reorganized Debtors' Budget

The Debtors have prepared the Reorganized Debtors' Budget attached as Appendix G: "Reorganized Debtors' Budget" based on certain assumptions that they believe are reasonable under the circumstances. Certain assumptions are described in Appendix G: "Reorganized Debtors' Budget". The underlying projections have not been compiled or examined by independent accountants. The Debtors make no representations regarding the accuracy of the projections or the Reorganized Debtors' ability to achieve forecasted results. Many of the assumptions underlying the projections are subject to significant uncertainties. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the ultimate financial results. Therefore, the actual results achieved will vary from the forecasts, and the variations may be material. In evaluating the Plan, Creditors are urged to examine carefully all of the assumptions underlying the Reorganized Debtors' Budget.

6. Liquidation Analysis

The Debtors have prepared the Liquidation Analysis attached as Appendix L: "Liquidation Analysis" based on certain assumptions that they believe are reasonable under the circumstances. Those assumptions that the Debtors consider significant are described in the Liquidation Analysis. The underlying projections have not been compiled or examined by independent accountants. The Debtors make no representations regarding the accuracy of the projections or a chapter 7 trustee's ability to achieve forecasted results. Many of the assumptions underlying the projections are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the ultimate financial results. In the event these Chapter 11 Cases are converted to chapter 7, actual results may vary materially from the estimates and projections set forth in the Liquidation Analysis. As such, the Liquidation Analysis is speculative in nature. In evaluating the Plan, Creditors are urged to examine carefully all of the assumptions underlying the Liquidation Analysis.

D. Control Group Risks

1. ENE Cash Balance Plan

As of December 31, 2002 (the most recent date for which information is available), the assets of the ENE Cash Balance Plan were less than the present value of accrued benefits by approximately $182 million on a plan termination basis. PBGC filed unliquidated claims in the ENE bankruptcy case for PBGC insurance premiums, unpaid minimum funding contributions, and unfunded benefit liabilities under the ENE Cash Balance Plan and defined benefit plans of other ENE related companies (including PGE). PBGC asserts an unfunded benefit liability claim of approximately $305 million, in the aggregate, and an unfunded benefit liability claim in respect of the ENE Cash Balance Plan of approximately $271 million. PBGC has informally alleged that the ENE Cash Balance Plan unfunded benefit liability could increase by as much as 100%. Since the PBGC filed its proofs of claim, PBGC has informed the Debtors that it has increased its total estimate of claims for unfunded benefit liabilities and intends to amend its claims to assert claims of approximately $366.2 million. The Debtors reserve the right to objection to these claims. Refer to Section IV.A.8.d., "Pension Benefits/Pension Benefit Guaranty Corporation" for further information.

Upon termination of an underfunded pension plan, which could be initiated by PBGC or ENE, all of the members of the ERISA controlled group of the plan sponsor (ENE) become jointly and severally liable for the plan's underfunding. If PBGC makes a demand for payment against one or more members of the controlled group and the payment is not made, a lien in favor of PBGC automatically arises against all of the assets of that member of the controlled group. The amount of the lien is equal to the lesser of the underfunding or 30% of the aggregate net worth of all of the members of the controlled group. Prisma, CrossCountry, and PGE are members of the ENE ERISA controlled group of corporations as long as ENE, or any of its controlled group members, holds at least 80% of the outstanding stock of Prisma, CrossCountry, or PGE. Subject to certain limitations, however, ENE has agreed, pursuant to the terms of the CrossCountry Contribution and Separation Agreement, to indemnify CrossCountry for any liabilities arising out of any employee benefit plan sponsored by ENE that are imposed upon or assessed against CrossCountry or any Pipeline Group Company or the assets thereof under Title IV of ERISA. ENE expects to provide similar indemnification to PGE pursuant to separation agreements to be negotiated.

ENE intends to seek the approval of the Bankruptcy Court to fund certain benefits under the ENE Cash Balance Plan and to terminate the plan in a manner that should eliminate PBGC's claims. There can be no assurance that the funding and termination of the ENE Cash Balance Plan will be approved, or that upon approval ENE will have the ability to obtain funding for accrued benefits on acceptable terms. The value of the Operating Entities and the Remaining Assets may be adversely affected if the ENE Cash Balance Plan is not fully funded and terminated.

2. ENE Tax Group Liability

Under regulations issued by the U.S. Treasury Department, each corporation that joins in the filing of a consolidated federal income tax return for all or part of a taxable year, is severally liable for the entire tax liability in respect of the income (for the entire taxable year) of all the corporations whose income is required to be included in such return. By reason of this rule, Prisma, PGE, and CrossCountry (and certain of their subsidiaries) may be liable for unpaid federal income taxes (and interest and penalties thereon) of the ENE Tax Group for applicable periods. Similar liability may also arise for state and local income under analogous statutory or regulatory rules. However, ENE believes that it will fully satisfy all liability for income taxes of the ENE Tax Group (and comparable state and/or local groups) for all relevant periods.

Subject to certain limitations, however, ENE has agreed to indemnify CrossCountry for any taxes, and liabilities incurred in connection with such taxes, imposed on any Pipeline Group Company by reason of such Pipeline Group Company being severally liable for any taxes of any member of the ENE Tax Group pursuant to Treasury Regulation Section 1.1502-6(a) or any analogous state, local, or foreign law. It is expected that ENE will similarly indemnify PGE for any such liability for taxes sustained by PGE by reason of PGE having previously been a member of the ENE Tax Group. ENE may also provide a similar indemnity to Prisma, but, at this time, no decision has been made in this regard.

E. Risks Common to Reorganized Debtors, Operating Entities and Litigation Trusts

The following risks are applicable to two or more of the Reorganized Debtors, PGE, CrossCountry, Prisma, the Litigation Trust, and/or the Special Litigation Trust.

1. Changes in the Regulatory Environment

The Operating Entities are, depending on where their operations are located, subject to numerous domestic and international regulations and regulatory agencies including, but not limited to FERC, NRC, EPA, OPUC, SEC, DOT, and others. Changes in the regulatory environment have a direct impact on the Operating Entities' operations and may materially impact the Operating Entities' profitability. Refer to Sections IX.A.6., "Regulatory Environment", IX.A.3., "Competition" and VIII.A.3., "Regulatory Matters" for further information.

2. PUHCA

ENE is a holding company under PUHCA that is exempt from all the provisions thereunder, except Section 9(a)(2), which is applicable to the acquisition of affiliate interests in public utility companies. ENE is a holding company under PUHCA because it owns all the common stock of PGE. ENE's PUHCA exemption was obtained by the filing of applications for exemption with the SEC under Sections 3(a)(1), 3(a)(3), and 3(a)(5) of PUHCA. An applicant is exempt upon the filing of an application in good faith until the SEC grants or denies the application. By order dated October 7, 2002, the SEC scheduled a hearing on the applications. After a hearing held on December 5, 2002, SEC Chief Administrative Law Judge Brenda Murray issued an initial decision denying the applications on February 6, 2003. ENE and certain other participants in the proceeding petitioned the SEC to review the decision of the Administrative Law Judge and, on June 11, 2003, the SEC granted the petition. The briefing schedule for the SEC review was completed on September 3, 2003. Judge Murray's decision denying the exemptions is stayed pending the resolution of the SEC's further review.

After briefing, the SEC may grant or deny one or more of the exemption applications. If the SEC finds that ENE does not qualify as an exempt holding company under PUHCA, ENE would be required to register under PUHCA. PUHCA imposes a number of restrictions on the operations of a registered holding company and its subsidiaries, including SEC approval of acquisitions of interests in utility and non-utility businesses, and transactions between companies in the holding company system such as service transactions and tax consolidation agreements. PUHCA may restrict the ability of ENE and its subsidiaries, including the Operating Entities, to borrow money and finance new or existing businesses, to issue dividends out of capital or unearned surplus, and to reorganize businesses. In addition, if ENE is required to register under PUHCA, such registration could lead to a delay in Plan implementation and, possibly, substantive revisions to the Plan. Indeed, the SEC staff has taken the position that, if ENE is not exempt from PUHCA, then the SEC's consent to the Plan would be necessary prior to confirmation. The Debtors dispute this contention and do not believe that such consent is required. There can be no assurance that the Debtors will prevail on this issue.

The Debtors are currently simplifying the complex corporate structure of Prisma to, among other things, qualify Prisma's businesses as exempt foreign utility companies (FUCOs) under PUHCA. It is contemplated that FUCO status would exempt most transactions relating to these foreign projects, such as dividends, reorganizations, financings, and investments, from regulation under PUHCA if ENE ultimately is required to register as a holding company. Some of the companies related to the Debtors' foreign projects, however, may not qualify for FUCO status and will require special relief under PUHCA, for example, to continue to finance certain foreign operations (or to alter the terms of existing financings). The Debtors would apply for authorizations necessary to continue ongoing business operations and to implement the Plan, although there can be no assurance that such authorizations would be granted.

3. Environmental Laws and Regulations Affecting Operations

Controlling environmental laws and regulations generally require the Reorganized Debtors, their domestic non-Debtor subsidiaries and the Operating Entities to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections, and approvals. Environmental laws and regulations can also require the Reorganized Debtors, their domestic non-Debtor subsidiaries and the Operating Entities to perform environmental remediations under appropriate circumstances. There is no assurance that existing environmental laws or regulations will not be revised or that new laws or regulations seeking to protect the environment will not be adopted or become applicable to the Reorganized Debtors, their domestic non-Debtor subsidiaries and the Operating Entities or that the Reorganized Debtors, their domestic non-Debtor subsidiaries and the Operating Entities will not identify in the future conditions that will result in obligations or liabilities under existing environmental laws and regulations. Revised or additional laws or regulations that result in increased compliance costs or additional operating restrictions, or currently unanticipated costs or restrictions under existing laws or regulations, could have a material adverse effect on the Operating Entities' results of operations. Refer to Sections IX.A.7., "Environmental Regulation", X.A.3., "Transferred Businesses" and XI.A.7., "Investment Powers" for further information.

4. Competition

Many of the businesses owned by the Operating Entities currently face competition in their respective markets. For example, PGE faces competition from electricity service suppliers, energy brokers, independent power producers, and power marketers as a result of the restructuring of the Oregon electric industry. The pipeline businesses to be owned by CrossCountry and to be owned by Prisma face competition from other pipeline companies in their respective transportation services markets. For example, Transwestern faces competition resulting from the recent expansion of Kern River's pipeline and from a proposed expansion of El Paso Natural Gas's system. In addition, Florida Gas faces competition from Gulfstream's proposed expansion on the east coast of Florida. If existing competitors expand their capacities or new competitors enter the markets, competition will intensify. Furthermore, the availability and cost of the type of fuel used or transported by many of the businesses owned by the Operating Entities affect the competitive position of those businesses. For example, the availability and cost of coal affect the competitive position of PGE's coal-fired generating plants, the availability and cost of natural gas affect the competitive position of the Pipeline Businesses, and the availability and cost of fuel oil affect the competitive position of Florida Gas and of many of the electrical power plants to be owned by Prisma. If another type of fuel becomes more available or economically attractive than the type of fuel used or transported by a business, that business will face greater competition. Increased competition may result in a loss of market share and could have a material adverse effect on the Operating Entities' businesses, results of operations, and financial conditions or on the net sales proceeds received by the Reorganized Debtors in a sale of any of the Operating Entities.

5. Operational Hazards

The Operating Entities are subject to the inherent risks associated with the operation of complex utility companies, such as operational hazards and unforeseen interruptions caused by events beyond the Operating Entities' control. These events include, but are not limited to: (a) adverse weather conditions; (b) accidents and damage caused by third parties; (c) the breakdown or failure of equipment or processes; (d) the performance of the facilities below expected levels of capacity and efficiency; (e) release of toxic substances; and (f) catastrophic events such as explosions, fires, earthquakes, hurricanes, lightning, floods, landslides, or other similar events beyond the Operating Entities and Reorganized Debtors' control.

6. Lack of Trading Market; Restrictions on Underwriters

At the time of, or after, the distribution of Prisma Common Stock, CrossCountry Common Stock, PGE Common Stock, the Litigation Trust Interests, and the Special Litigation Trust Interests to the creditors, the conditions of which are described in the Plan, the Prisma Common Stock, CrossCountry Common Stock and PGE Common Stock may not, and the Litigation Trust Interests, and Special Litigation Trust Interests will not, satisfy the requirements to be listed on a national securities exchange or a NASDAQ market which include, among other things, registration under the appropriate provision of Section 12 of the Exchange Act and market value requirements. If the Prisma Common Stock, CrossCountry Common Stock, and PGE Common Stock satisfy such requirements, the respective issuers may list such securities, but (except with regard to CrossCountry, which has certain requirements to seek a listing under its CrossCountry Contribution and Separation Agreement, refer to Section IX.F.1.a., "CrossCountry Contribution and Separation Agreement" for further information) such issuers are under no obligation to do so and there can be no assurances that such listing will be made. Instead, the Prisma Common Stock, CrossCountry Common Stock, PGE Common Stock, the Litigation Trust Interests, and Special Litigation Trust Interests may trade in the over-the-counter market (commonly referred to as the "pink sheets"), but there can be no assurance that an active trading market will develop. Accordingly, no assurance can be given that a holder of Prisma Common Stock, CrossCountry Common Stock, PGE Common Stock, the Litigation Trust Interests, and Special Litigation Trust Interests will be able to sell such securities in the future or as to the price at which any sale may occur. If a trading market does exist, the Prisma Common Stock, CrossCountry Common Stock, PGE Common Stock, the Litigation Trust Interests, and Special Litigation Trust Interests could trade at prices higher or lower than the value ascribed to such securities herein depending upon many factors, including the prevailing interest rates, markets for similar securities, general economic and industry conditions, and the performance of, and investor expectations for, the issuer thereof.

As stated in Section XIII., "Securities Laws Matters", legislative history of section 1145 of the Bankruptcy Code provides a recipient of at least 10% of the voting securities of an issuer under a chapter 11 plan will be presumed to be a statutory underwriter within the meaning of section 1145(b)(i) of the Bankruptcy Code, and as a result the shares received by such recipient would not be made freely transferrable by section 1145. The Debtors have assumed that no holder of Allowed Claims would receive 10% or more of any type of Plan Securities, but there can be no assurance of such result.

7. Lack of Reported Information

While PGE is currently obligated to file annual, quarterly, or periodic financial reports with the SEC pursuant to Sections 13 or 15(d) of the Exchange Act on Forms 10-Q and 10-K or 8-K, CrossCountry, Prisma, the Litigation Trust, and the Special Litigation Trust are not required to make, and have not made, such filings. Absent another requirement, none of CrossCountry, Prisma, the Litigation Trust, nor the Special Litigation Trust will be required to make such filings until it registers its Plan Securities, Litigation Trust Interest, or Special Litigation Trust Interests (if they are "equity securities" under the Exchange Act), as the case may be, under Section 12 of the Exchange Act, which CrossCountry is obligated to do pursuant to the CrossCountry Contribution and Separation Agreement. Refer to Section IX.F.1.a., "CrossCountry Contribution and Separation Agreement" for further information. While Prisma, the Litigation Trust, and the Special Litigation Trust may make such registration earlier, none will be required to make such registration until its equity securities are held by 500 or more holders of record and it has at least $10 million in assets, both at the end of its fiscal year.

Registration of the Plan Securities under Section 12 of the Exchange Act will require audited historical financial information covering a period as long as three fiscal years. While the Debtors intend that each of CrossCountry, PGE and Prisma will have such financial information prepared on a timely basis, there can be no assurance as to the timing of the availability of such financials or that the form of such financials will be acceptable to the SEC or the auditors of such Operating Entity. For example, if either the SEC or such Operating Entity's auditors require, as a related matter, that ENE's or certain of its subsidiaries' financial information be audited, the preparation of such audited financials may be materially delayed, as audited financial information of ENE and certain of its subsidiaries cannot be obtained. If an audit of such unavailable information is required, distribution of PGE Common Stock, CrossCountry Common Stock or Prisma Common Stock, as applicable, may be delayed until the assets of the applicable issuer have been separated from ENE and such subsidiaries for a sufficient amount of time so that the required financial statements can be prepared and audited without an audit of such unavailable information.

8. Lack of Independent Operating History

While PGE does have an independent operating history, Prisma and CrossCountry do not have independent operating histories. Most of the personnel responsible for managing and operating the transferred businesses prior to the formation of Prisma and CrossCountry, and the current personnel of PGE, are expected to continue to be responsible for managing and operating such businesses going forward. However, Prisma and CrossCountry resources and, in many cases, bargaining power will be limited relative to the resources and bargaining power of ENE prior to its filing for bankruptcy. Accordingly, Prisma and CrossCountry may enter into agreements with lenders, partners, and other counterparties on terms that are less favorable than those that ENE was able to negotiate prior to filing for bankruptcy.

9. Negative Publicity

Adverse publicity and news coverage relating to the Enron Companies prior to the Initial Petition Date may negatively impact PGE, CrossCountry, and Prisma's business operations and relations with partners, regulators, lenders, and other third parties. The Reorganized Debtors' liquidation efforts may be similarly negatively impacted.

10. FERC

On June 25, 2003, FERC issued certain orders relating to the Enron Companies' activities in the Western U.S. energy market. Refer to Section XIV.G.1.d., "Litigation, Regulatory Proceedings and Investigations" for further information.

11. Credit Risks

For a variety of reasons, each of the Reorganized Debtors and Operating Entities is subject to credit risk with respect to accounts receivables or other amounts due them. For example, certain of the Reorganized Debtors and, to a lesser degree, PGE have a material portion of their accounts receivable due from entities presently in bankruptcy proceedings and there can be no assurance that other entities from whom monies are due will not petition for bankruptcy protection. In some cases, creditors of the Reorganized Debtors have asserted that the Debtors' prepetition activities provide them with a defense to paying all or a portion of an amount due to a Debtor. CrossCountry's interstate pipeline subsidiaries are required to accept the credit risk of all shippers posting amounts of collateral specified by the FERC on its existing pipelines. Prisma is subject to the credit risk of its contract counterparties; this risk may increase in certain circumstances where Prisma's contract provides for payment indexed to U.S. dollars and the contract counterparties' revenues are in currencies other than U.S. dollars. Hedging activities undertaken by PGE and CrossCountry, among others, may be rendered ineffective due to credit defaults of the hedge counterparty. No assurance can be given that these credit risks will not adversely affect the value of one or more of the Reorganized Debtors or Operating Entities.

12. Taxes

There are a number of material income tax considerations, risks, and uncertainties associated with the consummation of the Plan. Refer to Section XV., "Certain Material Federal Income Tax Consequences of the Plan" and to Sections XIV.D.2., "ENE Tax Group Liability", XIV.I.4., "Tax Risks", XIV.H.3., "Tax Risks", XIV.G.1., "Economic, Political, Regulatory and Legal Risks" and Appendix J: "CrossCountry Financial Projections – 2003-2006" for additional information relating to tax risks.

F. Reorganized Debtors Risks

In addition to the risk factors enumerated above, the Reorganized Debtors are subject to the following risks:

1. FERC Market Pricing Investigation

On February 12, 2002, FERC began a fact-finding investigation of potential manipulation of short-term electric and natural gas prices in the western United States. An adverse decision by FERC could result in the repricing of certain trading contracts and may have an adverse effect on the value of ENE's electric and natural gas trading contracts in the western United States, including the accounts receivable associated with such contracts.

2. FERC Investigation Regarding Qualifying Facility Status

FERC has filed two separate proceedings regarding five qualifying facilities in which ENE has or had an indirect ownership interest. The allegation is that ENE's ownership interest in and/or agreements with these qualifying facilities caused electric utility ownership in these projects to increase above the amount permitted to maintain qualifying facility status. In addition, on July 8, 2003, FERC trial staff filed a motion to join into the two above-mentioned proceedings, 17 additional challenges to qualifying facility status (known as dockets), one for each of 14 additional qualifying facilities in which ENE has or has had an indirect ownership interest, and 3 qualifying facilities with which ENE affiliates have had certain contractual relationships. An adverse decision by FERC could negatively affect the relevant Enron Company's equity interests in and/or contractual relationships with these qualifying facilities. Refer to Section IV.C., "Litigation and Government Investigations" for further information.

3. Greater than Budgeted Liquidation Costs

Winding down the Debtors' estates is a very complicated process and will require extensive resources. Prolonged governmental investigations, litigation, complex legal issues, complicated sale processes, changes in market conditions, and additional costs associated with the liquidation of assets that are not transferred to the Operating Entities may result in greater than expected costs. The Debtors have incurred significant costs to date for personnel and professional services. Due to the uncertainty as to the effort, cost, and time necessary to wind down the Debtors' estates, the future expenditures may be materially different than anticipated and may impact the ultimate value of the estates.

G. PGE Risks

In addition to the risk factors enumerated above, PGE is subject to the following risks:

1. Economic, Political, Regulatory and Legal Risks

a. Payment of Dividends. Historically PGE paid quarterly cash dividends to ENE. During the first two quarters of 2001, PGE paid an aggregate of $40 million in cash dividends to ENE. PGE has not paid any cash dividends to ENE since June 2001. However, in July 2002, PGE made a $27 million non-cash dividend to ENE. Pursuant to OPUC Order No. 97-196, dated June 4, 1997, which approved PGE's sale to ENE, ENE and PGE agreed to certain restrictions on PGE's ability to pay dividends to ENE. These restrictions include (i) not paying common stock dividends in an amount that would reduce the common stock equity capital portion of PGE's total capital to less than 48% without OPUC's approval and (ii) notifying

OPUC either 30 days or 60 days in advance of certain dividends. As of March 31, 2003, PGE's common equity ratio was 52%. In connection with PGE's current 364-day credit facility due May 27, 2004, PGE agreed that it would not declare or pay any common stock dividends until the facility is terminated. In addition, under PGE's mortgage bonds, so long as any bonds of any series are outstanding, PGE may not declare or pay dividends (other than dividends in capital stock of PGE) on common stock of PGE or purchase or otherwise retire for a consideration (other than in exchange for or from the proceeds of other shares of capital stock of PGE) any shares of capital stock of PGE of any class, if the aggregate amount so expended after December 31, 1944 would exceed the aggregate amount of PGE's net income available for dividends on its common stock accumulated after December 31, 1944. At December 31, 2002 approximately $838 million of accumulated net income was available for payment of dividends under this provision.

There can be no assurance that PGE will be permitted under these or other contractual or regulatory restrictions to pay dividends to its common stockholders in the future.

b. Condemnation. In August 2002, the City Council of Portland, Oregon authorized expenditures for professional advice regarding potential acquisition of PGE, including acquiring PGE's assets by condemnation. In addition, initiative petitions circulated in Multnomah County obtained sufficient signatures to place a measure on an election ballot that, if passed, could result in the formation of a PUD in Multnomah County. In June 2003, the Multnomah County Board of Commissioners determined the boundaries of a proposed PUD and set a PUD formation initiative on the November 4, 2003 ballot to be voted on by the county voters. In August 2003, initiative petitions circulated in Yamhill County also obtained sufficient signatures to place a measure on an election ballot. After a hearing, the Yamhill County Commissioners are required to determine the boundaries of the proposed PUD and set a date for voting on the formation initiative. The expressed intent of the PUD supporters is to have additional elections to expand the PUD boundaries to include all of PGE's service territory. If a PUD is formed, it would have the authority to condemn PGE's distribution assets within the boundaries of the district. Oregon law prohibits a PUD from condemning thermal generation plants. It is uncertain under Oregon law whether a PUD would be able to condemn PGE's hydro generation plants. At this time, PGE cannot assess the potential impact such condemnation would have on PGE. The mortgage indenture requires PGE to deposit the proceeds of any condemnation with the mortgage indenture trustee where they may be applied to redeem first mortgage bonds at PGE's option. There can be no assurance in such event that the proceeds will be sufficient to pay principal and or interest on the bonds or that any amount would be available for distribution to shareholders.

c. Membership in ENE's Consolidated Tax Group. PGE was a member of the ENE Tax Group from July 2, 1997 through May 7, 2001, and from December 24, 2002 through present. On December 31, 2002, in connection with being re-consolidated with the ENE Tax Group, PGE entered into a tax allocation agreement with ENE pursuant to which PGE agreed to make payments to ENE for income taxes that PGE would incur if it were not a member of the ENE Tax Group. Because PGE is treated as included in the ENE Tax Group, PGE does not pay income taxes to the IRS but, instead, it makes payments to ENE pursuant to the tax allocation agreement. As of July 31, 2003, PGE had paid $37 million to ENE under the tax allocation agreement for estimated taxes for the period from January 1 through March 31, 2003.

The determination of whether PGE did, in fact, become a member of the ENE Tax Group on December 24, 2002 is fact intensive, and there can be no assurance that the IRS will agree with ENE's assessment. If the IRS does not agree that PGE became a member of the ENE Tax Group on December 24, 2002, and the matter is not resolved by the Bankruptcy Court or otherwise, PGE may be required to pay additional amounts to the IRS (and, possibly, to certain state and/or local taxing authorities as well). However, ENE believes that all of the requirements for PGE's re-consolidation with the ENE Tax Group have been satisfied.

d. Litigation, Regulatory Proceedings and Investigations. Current and future litigation, regulatory proceedings, and governmental audits and investigations could, individually or in the aggregate, have a material and adverse impact on PGE.

2. Operational Risks

a. Fluctuations in Wholesale Power Costs. PGE's owned generation capacity is not sufficient to meet its retail load requirements. To supplement its own generation, PGE purchases power through both long-term power purchase contracts and short-term, including spot, purchases in the wholesale market as needed. The availability and price of power PGE purchases is significantly affected by the amount of surplus generating capability in the western United States, the number and credit quality of wholesale marketers and brokers participating in the energy trading markets, the cost of fuels, price caps set by FERC, and hydro conditions. Northwest hydro conditions, such as a severe or sustained drought, have a significant impact on the supply and cost of power in the region, and on PGE's ability to economically displace its more expensive thermal generation. The availability and price of purchased power are also affected by weather conditions in the Northwest during winter months and in California and the Southwest during summer months. Although there are regulatory procedures for PGE to seek recovery of any additional power costs through its rates, there can be no assurance that PGE would be allowed such recovery.

b. Fuel Costs and Related Hedging Activities. PGE's primary business is to provide electricity to its retail customers. PGE uses both long-and short-term purchased power contracts to supplement its thermal and hydroelectric generation to meet its load, as well as to respond to seasonal fluctuations in the demand for electricity and variability in generating plant operations. In meeting these needs, PGE is exposed to market risk arising from the need to purchase power and to purchase fuel for its natural gas and coal-fired generating units. To lower its financial exposure related to commodity price fluctuations and manage its portfolio of resources, PGE routinely enters into contracts to hedge purchase and sale commitments, fuel requirements, weather conditions, inventories of natural gas, coal, and other commodities. As part of its strategy, PGE routinely utilizes fixed-price forward physical purchase and sales contracts, financial swaps, options, and futures contracts. As a result of marketplace illiquidity and other factors, PGE's power operations may, at times, be unable to fully hedge the portfolio for market risks. PGE may, at times, have an open position in the market, within established guidelines, resulting from the management of its portfolio. To the extent open positions exist, fluctuating commodity prices can impact financial results and financial position, either favorably or unfavorably. In addition, the risk management procedures PGE has in place may not always work as planned.

In connection with its hedging activities, PGE manages the risk of counterparty default by performing financial credit reviews and setting limits and monitoring exposures, requiring collateral when needed and using standardized enabling agreements that allow for the netting of positive and negative exposures associated with a counterparty. Despite such mitigation efforts, defaults by counterparties may periodically occur.

Even though PGE attempts to hedge some portion of its fuel requirements, PGE still may face the risk of supply interruptions and fuel price volatility. The price PGE can obtain for the sale of energy may not compensate it for its increased fuel costs, which may have an adverse effect on financial performance.

As a result of these and other factors, PGE cannot predict with precision the impact that its risk management decisions may have on its business, operating results, or financial position.

c. **Decrease in Electricity Demand**. A sustained decrease in demand for electricity in PGE's service territory would significantly reduce revenues and, as a result, adversely impact the financial condition of PGE. Factors that could lead to a decrease in demand include, among others, a recession or other adverse economic condition in the territory, particularly any economic slowdown in the manufacturing and technology sectors, and weather conditions that result in lower consumption by consumers.

3. Environmental Risks

a. **Portland Harbor**. A 1997 investigation of a portion of the Willamette River known as the Portland Harbor, conducted by the EPA, revealed significant contamination of sediments within the harbor. Subsequently, the EPA included Portland Harbor on the federal National Priority list pursuant to CERCLA. PGE, together with a large number of other parties, received notice from the EPA of PGE's potential liability with respect to the Portland Harbor contamination. PGE's investigations to date have shown no significant soil or groundwater contaminations with a pathway to the Willamette River sediments from its Harborton substation facility. It is believed that PGE's contribution to the sediment contamination, if any, could qualify it as a de minimis potential responsible party under CERCLA. There can be no assurance, however, that PGE will not incur significant liability with respect to the cost of investigation and remediation of the Portland Harbor, which may materially adversely impact PGE's financial condition or results of operations. Refer to Section VIII.A.7., "Environmental Matters" for further information.

H. CrossCountry

In addition to the risk factors enumerated above, CrossCountry is subject to the following risks:

1. Economic, Political, Regulatory and Legal Risks

a. **Execution of Growth Strategy**. CrossCountry's current strategy contemplates growth through both the acquisition of other energy assets and the expansion of the Pipeline Businesses' existing systems. Any limitations on the access of CrossCountry or its subsidiaries and affiliates to debt or equity capital may impair CrossCountry's ability to execute its growth strategy. CrossCountry's ability to access reasonably priced debt capital is dependent in part on its ability, and the ability of its subsidiaries, to maintain favorable credit ratings.

In addition, there are numerous risks involved in CrossCountry's growth strategy through acquisitions, including, among others, that CrossCountry may: (i) not be able to identify suitable acquisition candidates; (ii) not be able to make acquisitions on economically acceptable terms, or if made, assure that the acquisitions will be successful; (iii) encounter material costs in seeking to make acquisitions or not be able to complete any potential acquisitions it has pursued; (iv) encounter difficulties in integrating operations and systems following acquisitions; or (v) encounter difficulties or delays in obtaining regulatory approvals, which, in each case, could have an adverse impact on CrossCountry's financial condition.

The failure of CrossCountry or the Pipeline Businesses to generate sufficient funds in the future from the Pipeline Businesses' operations or other financing sources may also cause the delay or abandonment of the Pipeline Businesses' expansion plans and thus, adversely impact CrossCountry's earnings and financial condition. Also a proposed expansion may cost more than planned to complete, and such excess costs, if found imprudent by FERC, may not be recoverable. The inability to recover any such costs or expenditures may adversely impact CrossCountry's financial condition. Transwestern's planned San Juan expansion is dependent on Transwestern's ability to extend or replace its existing credit facility on acceptable terms and upon Transwestern's ability to secure additional financing to cover the capital cost of that project.

In addition, the Pipeline Businesses' ability to engage in any expansion project will be subject to numerous factors beyond CrossCountry's control, including, among others, the following: (i) customers may be unwilling to sign long-term contracts for service that would make use of a planned expansion; (ii) CrossCountry's competitors may provide transportation services to the area to which CrossCountry is expanding; (iii) competing entities may construct new competing pipelines, and those new or expanded pipelines may offer transportation services that are more desirable to customers because of costs, location, supply options, facilities, or other factors; and (iv) the necessity of obtaining shareholder approvals may delay or interfere with completion of acquisitions or expansions in certain cases, including the approval of ENE prior to the distribution to Creditors of CrossCountry Common Stock pursuant to the Plan.

There can be no assurance that any future expansion or extension project will be undertaken or, if undertaken, will be successful.

b. FERC Proceedings Regarding Financing and Cash Management Practices. CrossCountry's interstate Pipeline Businesses are subject to extensive regulation by FERC. A FERC proceeding is currently underway that relates to certain past financing and cash management activities of Transwestern. That proceeding questioned Transwestern's entering into a $550 million loan prior to ENE's bankruptcy and its loan of the proceeds of that borrowing to ENE. The proceeding resulted in a settlement between FERC's staff and Transwestern but the settlement was challenged by a Transwestern customer and is now awaiting final action by FERC. If accepted by FERC, the protesting customer's position could result in disallowance of Transwestern's ability to recover costs associated with the loan. Proceedings are also ongoing with respect to industry-wide cash management practices and intracompany transactions, as well as FERC audits of such practices, among ENE-affiliated pipelines. CrossCountry does not expect any of these proceedings to have a material adverse impact on its financial position but no assurance can be given as to their final outcome. Refer to Section IX.A.6., "Regulatory Environment" for further information.

c. FERC Imposed Tariff Adjustments. Because CrossCountry's businesses are primarily interstate natural gas pipelines subject to regulation as natural gas companies under the Natural Gas Act of 1938, as amended, the rates the interstate Pipeline Businesses can charge their customers and other terms and conditions of service are subject to approval by FERC.

Under the terms of the interstate Pipeline Businesses' transportation service contracts and in accordance with FERC's rate-making principles, the interstate Pipeline Businesses' current maximum tariff rates are designed to recover costs included in their pipeline systems' regulatory cost of service that are associated with the construction and operation of the pipeline systems that are reasonably and prudently incurred, including a reasonable return on invested capital. CrossCountry's interstate Pipeline Businesses' tariffs also permit them to charge negotiated rates for transportation services to certain shippers, subject to the availability of base tariff rates, or recourse rates, calculated on a traditional cost-of-service basis and provided that non-rate terms and conditions in any agreement do not deviate in any material aspect from those set forth in the tariff or applicable form of service agreement contained in the tariff.

No assurance can be given that FERC will not alter or refine its preferred methodology for establishing pipeline rates and tariff structures. Nor can any assurance be given that all costs incurred, including a reasonable return on capital, will be recoverable through rates. Failure by the interstate Pipeline Businesses to recover material costs would adversely impact CrossCountry's financial condition. Additionally, other aspects of the interstate Pipeline Businesses' rate and services structures, such as the mechanism for recovery of compressor fuel from customers, may be modified by FERC during rate review proceedings and such modification of rate and service structures may have an adverse impact on CrossCountry's financial condition. Specifically, Transwestern's current authorization to collect physical volumes of natural gas from its customers to compensate Transwestern for natural gas burned as fuel in its compressors could be modified in a way that reduces the amount of natural gas Transwestern has available to sell for its own account.

In addition, regulators and shippers on the pipelines have rights to challenge the rates the pipelines charge and the pipelines' tariffs may be modified in periodic rate proceedings, or at any time in response to a complaint proceeding initiated by a customer of the pipeline, or by FERC itself. While there are currently no material proceedings challenging the rates of any of the interstate Pipeline Businesses, CrossCountry cannot predict what challenges the interstate Pipeline Businesses may have to their rates in the future.

Florida Gas, Northern Border Pipeline, and Transwestern are required under previous settlement agreements with FERC to file new rate cases to be effective no later than October 2003, May 2006, and November 2006, respectively. While CrossCountry does not expect those rate proceedings to adversely impact its financial position, no assurance can be given as to the final outcome.

d. Maintenance and Expiration of Transportation Service Agreements. CrossCountry's financial condition and results of operations are dependent on the interstate Pipeline Businesses' ability to maintain long-term transportation service agreements with their largest customers at favorable transportation rates. Upon expiration, existing customers may not extend their contracts at rates favorable to the interstate Pipeline Businesses on a long-term basis, or at all. The interstate Pipeline Businesses may also be unable to obtain favorable replacement agreements as existing contracts expire. The extension or replacement of the existing contracts with their customers depends on a number of factors beyond the interstate Pipeline Businesses' control, including but not limited to: (i) availability of economically deliverable supplies of natural gas for transport through their pipeline systems; (ii) demand for natural gas in the interstate Pipeline Businesses' market areas; (iii) the relative price of natural gas compared to competing fuels; (iv) the basis differential between receipt and delivery points on the pipeline systems; (v) competition to deliver natural gas to the interstate Pipeline Businesses' major marketplaces from alternative sources; (vi) whether transportation of natural gas pursuant to contracts continues to be market practice; and (vii) whether the interstate Pipeline Businesses' strategies, including their expansion strategies, continue to be successful.

Transwestern, Florida Gas and Northern Border Pipeline also have significant amounts of their capacity subject to contracts that expire over the next four years. Additionally, certain of Florida Gas's contracts are subject to early termination in the event of deregulation of the Florida electric market or upon the occurrence of other triggering events. Any failure to extend or replace these contracts may have an adverse impact on CrossCountry's financial condition.

In addition, competition from other interstate natural gas pipelines may adversely impact the ability of the interstate Pipeline Businesses to re-contract for expiring transportation capacity and could lead to lower levels of profitability. Transwestern faces competition resulting from the recent expansion of Kern River's pipeline and from a proposed expansion of El Paso Natural Gas's system. In addition, Florida Gas faces competition from Gulfstream's proposed expansion on the East coast of Florida.

e. Concentrated Gas Transportation Revenues. Certain of CrossCountry's Pipeline Businesses are dependent on a relatively small number of customers for a significant portion of their revenues. As a result, failure of one or more of the Pipeline Businesses' most significant customers to pay for contracted pipeline capacity reservation charges, for reasons related to financial distress or otherwise, could reduce CrossCountry's revenues materially if alternate arrangements were not made, such as adequate replacement contracts. Accordingly, the loss of one of these customers or a decline in its creditworthiness could adversely impact the results of operations, financial condition, and cash-flow of CrossCountry and its Pipeline Businesses.

f. Expansion of Northern Border Partners' Midstream Gas Gathering Business. Northern Border Partners' ability to expand its midstream gas gathering business will depend in large part on the pace of drilling and production activity in the Powder River, Wind

River, and Williston Basins or other natural gas producing basins in which it subsequently constructs or acquires gas gathering and processing operations. Drilling and production activity will be impacted by a number of factors beyond Northern Border Partners' control, including demand for and prices of natural gas, producer response to the recently issued Record of Decision for the Wyoming Environmental Impact Statement and outcome of pending lawsuits challenging the Record of Decision, the ability of producers to obtain necessary permits, and capacity constraints on natural gas transmission pipelines that transport gas from the producing areas.

g. Operating Income from the Purchase and Sale of Natural Gas and Natural Gas Liquids. Certain of CrossCountry's subsidiaries or affiliates derive a portion of their operating income from the purchase and sale of natural gas and NGLs. Citrus Trading derives substantially all of its operating margin from the purchase and sale of natural gas, and marks-to-market its portfolio of contracts, the longest of which extends to 2013. Under Transwestern's tariff, Transwestern's customers provide Transwestern with more natural gas than is necessary to fuel Transwestern's pipeline system's compressors. The amount of surplus fuel is dependent on system throughput in each of Transwestern's pipeline segments. This surplus gas is available for Transwestern to resell to third parties for Transwestern's own account. Additionally, a Northern Border Partners affiliate, Bear Paw Energy, has gathering and processing contracts associated with its midstream gas gathering business in the Williston Basin that require its customers to pay for the service they receive from Bear Paw Energy with physical quantities of natural gas and liquids. The amount of natural gas and NGLS received is dependent on total system throughput and the composition of the untreated gas stream.

Citrus Trading is naturally hedged on approximately half of its portfolio due to purchases and sales being on substantially the same terms, with the remainder of the portfolio purchased on a floating price basis and sold at a fixed price. In addition, Transwestern and Northern Border Partners' midstream gathering business in the Williston Basin have contracted to hedge the value of their assets and operations, and are substantially hedged through 2003 and 2004. However, these businesses do not cover the entire exposure of their assets or their positions to market price volatility and the coverage will vary over time. To the extent these businesses have unhedged positions or their hedging procedures are not as successful as planned, fluctuating commodity prices may adversely impact CrossCountry's financial condition. Refer to Section XIV.H.4.a., "Citrus Trading Contract Risk".

h. Continued Access to Tribal Lands. The Pipeline Businesses' ability to operate their pipelines on certain tribal lands will depend on their success in maintaining existing rights-of-way and obtaining new rights-of-way on those tribal lands. Transwestern recently extended the term of its right-of-way grant with several tribes including the Navajo Nation. The extended right-of-way grant with the Navajo Nation expires in 2009. Additionally, securing rights-of-way is critical to Transwestern's ability to construct its proposed San Juan expansion project and other expansion projects. CrossCountry cannot assure that it will be able to acquire new rights-of-way on tribal lands or maintain access to existing rights-of-way upon the expiration of current grants. Accordingly, CrossCountry's financial position could be adversely affected if the costs of new or extended right-of-way grants are not allowed to be recovered in the Pipeline Businesses' rates.

i. Significant Decrease in Demand for Natural Gas. A sustained decrease in demand for natural gas in the markets served by the Pipeline Businesses' systems would significantly reduce the revenues of the Pipeline Businesses and, consequently, adversely impact the financial condition of CrossCountry. Factors that could lead to a decrease in market demand include, among others, the following: (a) a recession or other adverse economic condition that results in lower spending by consumers on natural gas; (b) an increase in the market price of natural gas; (c) higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of natural gas or that limit the use of natural gas; or (d) a shift by consumers to more fuel-efficient or alternative fuel machinery or an improvement in fuel economy, whether as a result of technological advances by manufacturers, pending legislation proposing to mandate higher fuel economy, or otherwise.

j. Litigation, Regulatory Proceedings and Investigations. Current and future litigation, regulatory proceedings, and governmental audits and investigations including claims relating to prepetition activities of ENE, could, individually or in the aggregate, have a material adverse impact on CrossCountry. For a description of current litigation, regulatory proceedings and governmental investigations that involve or may involve CrossCountry and its subsidiaries and affiliates, refer to Sections IX.A.6., "Regulatory Environment" and IX.C., "Historical Financials, Projections and Valuation".

k. Retiree Benefits. In accordance with the Debtors' request to terminate the Enron Gas Pipelines Retiree Benefits Trust, the Debtors intend to distribute certain trust assets to CrossCountry entities following such entities' express assumption of retiree benefit liabiities associated with such assets for current and former employees. The applicable CrossCountry entities will be assuming liabilities estimated as of June 30, 2002 of approximately $16.87 million and will be receiving assets estimated as of the same date of approximatey $7.55 million. The CrossCountry entities are permitted to recover a portion of the cost of retiree benefits through their rate cases, however, there can be no assurance that the CrossCountry entities will be able to recover the full cost of their retiree benefit liabilities. Refer to Section IV.A.8.c, "Retiree Benefits" for further information.

2. Structural Risks

a. Dependence on Earnings and Distributions of Northern Border Partners and Citrus. CrossCountry will derive a significant portion of its cash flow from its general and limited partner interests in Northern Border Partners and from its interest in Citrus. A significant decline in Northern Border Partners' or Citrus's earnings and/or cash distributions would have a corresponding negative impact on CrossCountry. For further information on the earnings and cash distributions of Northern Border Partners, refer to Section IX.A.2.c., "Northern Plains" or Northern Border Partners' 2002 Annual Report on Form 10-K available for free in the "Related Documents" section at http://www.enron.com/corp/por/.

b. Control over Pipeline Businesses. Prior to the distribution of CrossCountry's common stock pursuant to the Plan, ENE's consent will be required for CrossCountry to take certain corporate actions. These actions include, among others, entering into certain joint ventures, mergers or other business combinations, undertaking certain capital expenditures or expansions, or incurring certain indebtedness. Refer to Section IX.F.1.a., "CrossCountry Contribution and Separation **Agreement**" for further information.

CrossCountry will have varying degrees of management control over the operation of its Pipeline Businesses that are not wholly owned subsidiaries. With respect to these entities, certain significant actions will require the consent of other joint venture parties or equity holders or their representatives, and CrossCountry will not be in a position to direct the outcome of all matters related to the underlying businesses. For example, Citrus's organizational documents and Florida Gas's organizational documents require that "important matters" be approved by both shareholders of Citrus. Important matters include the declaration of dividends and similar payments, the approval of operating budgets, the incurrence of indebtedness, and the consummation of a number of significant transactions. There is a risk that Citrus, with 50/50 joint ownership between CrossCountry and Southern Natural Gas, will reach a deadlock in the decision-making process, which could adversely affect the operation of this business, possibly for an extended period. The Citrus governance documents do not provide a specific mechanism for resolving such a deadlock. Accordingly, any disagreement that arises between the owners of Citrus could prevent approval of actions requiring an affirmative vote of the Citrus Board of Directors or require litigation to resolve.

Likewise, certain decisions by Northern Border Partners and its subsidiary Northern Border Pipeline require concurrence by entities not controlled by CrossCountry. Accordingly, significant expansions and acquisitions would require consent by entities not controlled by CrossCountry. CrossCountry may be unable to unilaterally compel outcomes that are in CrossCountry's best interest as to those non-controlled subsidiaries.

3. Tax Risks

The CrossCountry Projections reflect tax benefits associated with a NOL sustained by Transwestern. There is a risk that these tax benefits may not be available. Refer to Appendix J: "CrossCountry Financial Projections – 2003-2006".

4. Other Risks

a. Citrus Trading Contract Risk. Citrus Trading is a party to a long term commodity sale contract with Auburndale Power Partners that is substantially "out-of-the-money." This "out-of-the-money" position was historically offset by gas supply arrangements, one of which was recently terminated. That termination leaves the Auburndale contract 50% unhedged. Citrus Trading's "out-of-the-money" position with Auburndale is no longer fully offset by in the money supply contracts. Citrus Trading is currently performing under the Auburndale contract, but there can be no assurance that it will be able to continue performing or continue as a going concern.

I. Prisma Risks

In addition to the risk factors enumerated above, Prisma is subject to the following risks:

1. Economic, Political, Regulatory, and Legal Risks

a. International Economic Slowdown. The current worldwide economic slowdown has increased political and regulatory pressure to lower energy costs in many countries in which Prisma operates. The delivery of energy products and services is an inherently political business because it ultimately involves the delivery of a basic necessity to a large group of consumers. When economies are growing, governments tend to focus on the development of energy infrastructure projects. When economies slow, political pressures shift to emphasize the lowering of energy costs. Economic downturns have also historically led to governments coming into power that are interested in playing a more active role in regulating energy prices. The regulatory systems in many of the countries in which the transferred businesses conduct operations are not immune from, and at times are highly susceptible to, such political pressures. Political pressure may cause regulators in the countries in which the transferred businesses conduct operations to enact new regulations or to modify or repeal existing regulations that could adversely affect the transferred businesses. There can also be no assurances that political pressures will not result in the expropriation of assets or businesses by the countries in which the transferred businesses operate.

b. Regulatory Intervention and Political Pressure. Past and potential regulatory intervention and political pressures may lead to tariffs that are not compensatory or otherwise undermine the value of the long-term contracts entered into by the transferred businesses. The revenues of some of the key businesses expected to be a part of Prisma, including SK-Enron, Elektro, and Vengas, are dependent on tariffs or other regulatory structures that allow regulatory authorities to periodically review the prices such businesses charge customers and the other terms and conditions under which services and products are offered. Other key businesses expected to be a part of Prisma, such as Accroven, Cuiabá, and Trakya, rely on long-term contracts with governmental or quasi-governmental entities for all or substantially all of their revenues. Because of political or other pressures, including those discussed above, regulatory authorities may set rates that do not provide a meaningful rate of return on amounts invested or allow for a sufficient recovery of operating costs or may otherwise not respect the contractual frameworks upon which some of the transferred business were developed and are currently operated. For example, Elektro's concession agreement provides that its terms can be changed by the government in certain cases to re-establish "financial and economic equilibrium." However, neither the standards nor the mechanics for this process are clearly specified and any such change could be effected in a manner adverse to Elektro's interest. In addition, in Brazil, certain government-appointed officials have questioned certain contractually fixed terms of the Cuiabá project's power sales agreement with a government-controlled entity. In 2001 and 2002 in Turkey, a New Energy Market Law and related regulations were adopted and a new regulatory body created to liberalize the electricity market. The new law and regulations do not exempt existing generators from its requirements and the new regulator has been confrontational with the Trakya project, expressing its intention to abrogate or renegotiate existing contracts in favor of the new regulatory regime. The abrogation or renegotiation of any of the long-term contracts of a business would likely lead to significantly lower revenues for such business.

c. Political Instability, Civil Unrest, and Regime Change. Prisma may suffer losses as a result of political instability, civil unrest, and regime change. The political and social conditions in many of the countries where the transferred businesses are located present many risks, such as civil strife, guerrilla activities, insurrection, border disputes, leadership succession turmoil, war, expropriation, and nationalization, that are generally greater than risks in the United States. For example, the revelations of nuclear weapons capabilities in North Korea have increased regional tensions and harmed the investment environment in South Korea and may harm the financial results of SK-Enron. Also, general strikes in Venezuela in late 2002 left Vengas with a drastically reduced supply of LPG for almost a month and caused PdVSA to be delinquent in payments to Accroven. Continuing political turmoil in Venezuela and in other countries may continue to harm the financial results of the transferred businesses.

Changes in governments, even through democratic elections, have caused, and may in the future cause, losses for some of the transferred businesses as a result of the uncertainty they create. Changes in governments in foreign countries frequently result in greater regulatory changes than do changes in administrations in the United States.

d. Devaluations of Foreign Currencies. Prisma may suffer losses as a result of devaluations in the currencies of the countries in which it is expected to operate. The revenues of some of the key businesses expected to be a part of Prisma, including SK-Enron, Elektro, and Vengas, are collected substantially or exclusively in the relevant local currency. In such cases, a strengthening of the U.S. dollar relative to such local currency will reduce the amount of cash flow and net income of such business in U.S. dollar terms. Such devaluations will also diminish the asset base in U.S. dollar terms on which businesses subject to rate of return tariff regulation, such as SK-Enron and Elektro, are allowed to earn a regulated return. Certain countries where Prisma will derive significant revenue and be exposed to these risks, including Brazil and Venezuela, have experienced moderate to severe devaluations of the local currency in recent years. The results of Elektro and Vengas have been materially reduced in U.S. dollar terms as a result and will continue to be reduced to the extent the relevant local currency continues to decline in value relative to the U.S. dollar.

Currency devaluation risk is further exacerbated when a business has borrowed funds or has significant payment obligations in one type of currency but receives revenue in another. This is the case with Elektro, which has dollar-denominated loans and dollar-denominated payment obligations under a long-term PPA. In such cases, an adverse change in exchange rates will erode the capital of such business and reduce its ability to meet debt service or other payment obligations or to obtain dollar-denominated goods and services.

In some cases the contractual agreements that are the sources of revenue of the transferred businesses provide for payments to be made in, or indexed to, U.S. dollars or a currency freely convertible into U.S. dollars. No assurance can be given, however, that these structures will continue to be effective in all cases or that any given counterparty will be able to obtain acceptable currency to meet its obligations or that these structures will not adversely affect the credit risk of any given counterparty. Other than these contractual arrangements, it is not anticipated that Prisma will be able to hedge against devaluation risks in a cost-effective matter.

e. Inability to Remit or Convert Profits. Prisma may not receive dividends or other distributions from the transferred businesses because of exchange controls or similar government regulations restricting currency conversion or repatriation of profits. Economic and monetary policies and conditions in a given country and other factors could affect Prisma or its businesses' ability to convert local currency into U.S. dollars or to remit funds out of the foreign country. Furthermore, the central banks of most foreign countries have the ability to suspend, restrict or otherwise impose conditions on foreign exchange transactions or to approve the remittance of currency into or out of the country. In several of the countries where Prisma is expected to operate, such controls and restrictions have historically been imposed and in others are currently being imposed. For example, Brazil imposed remittance restrictions for six months from late 1989 to early 1990, and Venezuela adopted a currency exchange regime in February 2003 that has yet to be fully implemented, but requires that all exchanges be made through the central bank at a set rate. As with devaluation risk discussed above, these risks can be mitigated only to a limited extent through contractual arrangements. Refer to Section X.A.3.c(iii), "Vengas, S.A. (Vengas)" for further information on the currency exchange regime in place in Venezuela.

f. Difficulty Enforcing and Defending Contractual and Legal Rights. Certain countries in which Prisma is expected to operate do not have well-developed legal or judicial systems and lack a well-developed, consolidated body of laws governing infrastructure businesses and foreign investment enterprises. In many jurisdictions in which Prisma is expected to operate, there is little if any precedent relating to the structures for such businesses. In addition, the administration of laws and regulations by government agencies in such countries may be subject to considerable discretion. As a result, Prisma and the businesses expected to be a part of Prisma may be unable to enforce their rights under material agreements and governmental rules and regulations.

While most of the transferred businesses have entered into agreements that require dispute resolution by international arbitration, such provisions may be difficult to enforce and may not provide the anticipated benefits, and awards resulting from such arbitration may be difficult or impossible to collect. Parties to agreements may try to use local courts to stay or otherwise frustrate arbitration proceedings. For example, despite contractual clauses requiring international arbitration, ENE's 50% partner in SK-Enron recently petitioned a local court and was successful in obtaining the court's permission to place a "preliminary attachment" lien, which was ultimately not enforced, on ENE's ownership interest in the business in an effort to obtain an advantage in resolving a shareholder disagreement.

Any awards obtained in arbitration are often difficult to enforce, both because of procedural difficulties and because it is often difficult to find assets that can be levied against in jurisdictions where such an award will be enforced by local courts. In addition, many of the transferred businesses' contracts have counterparties that are sovereigns or other governmental entities, the assets of which are sometimes deemed to be immune from execution. International arbitration or litigation in foreign countries can be a very costly and lengthy process. Even if a transferred business receives an arbitral award or judgment in its favor, it may be unable to collect on such award or judgment to recoup its losses.

g. Litigation, Regulatory Proceedings, and Investigations. Current and future litigation, regulatory proceedings, and governmental audits and investigations could, individually or in the aggregate, have a material and adverse impact on Prisma. For a description of current litigation, regulatory proceedings and governmental investigations that involve or may involve Prisma and its subsidiaries and affiliates, refer to Sections IX.A.6., "Regulatory Environment" and X.C., "Legal Proceedings" for further information.

2. Operational Risks

a. Uninsured Plant and Equipment Failures. The power generation businesses that are expected to be a part of Prisma use complex technologies in their operations. A number of these businesses may experience plant and equipment failures that last for extended periods of time. For example, excessive vibration at the Trakya power plant led to an unscheduled outage lasting 92 days beginning in January 2002 and the catastrophic failure of a combustion turbine at the Cuiabá power plant led to a partial unscheduled outage lasting 204 days beginning in August 2001. While it is expected that Prisma will maintain insurance to cover most equipment failures, it will not be able to cover every potential risk and loss. In addition, the deductible waiting period under business interruption policies requires a set period of days to pass prior to receiving benefits from the policies. Prisma may suffer material losses if an equipment failure occurs that is incapable of repair or remedy for an extended period of time, or if that equipment or failure is uninsurable.

b. Difficulties Obtaining Insurance. Prisma may not be able to obtain all customary, desirable, or required insurance on reasonable terms or at all. The market for insurance has changed dramatically in recent years, as a result of the events of September 11, 2001, recent political upheavals, the rise of terrorism, and the armed conflicts in Afghanistan and Iraq. Costs for many types of insurance, such as terrorism insurance, business interruption insurance, and other disaster-based coverage, have risen significantly. Many of the businesses expected to be a part of Prisma have seen their insurance premiums and deductible amounts increase dramatically since 2001. In the future, Prisma may have to spend even greater amounts for insurance premiums, possibly for less coverage. In some cases, such insurance may not be available on commercially reasonable terms for certain businesses, which could have an adverse effect on Prisma's financial condition in the event of an uninsured casualty. Further, many of Prisma's project financings require specific levels of certain insurance. A failure to obtain the required insurance has put, and could in the future put additional, financings in default.

c. Concentration of Customers and Suppliers. Certain of the transferred businesses rely upon one or a limited number of customers that provide all or substantially all of the business's revenue and/or a limited number of suppliers to provide LPG, natural gas, liquid fuel of various types, and other services required for the operation of the business. Prisma's customers, in turn, are also dependent on transmission and delivery systems to deliver the product to the end-users. The failure of these systems may make Prisma's customers less willing or able to make required payments to Prisma.

In certain cases there are long-term purchase or supply agreements and the financial performance of a particular business is dependent upon the continued performance by a customer or supplier of its obligations under such long-term agreement. As a result of the failure of a major customer or supplier to meet its contractual obligations, the affected business may be in default under loan or other agreements, and such business may be unable to meet current debt service obligations or operating expenses and financial results could be materially adversely affected. Any such circumstance that became chronic or prolonged could result in the loss of all economic value from such business for Prisma.

In a number of cases, a transferred business's sole supplier or customer is a government-owned entity. In such cases contractual dealings can be more difficult and could become politicized. The government-owned entity may act in accordance with political objectives and not on commercially reasonable terms. For example, the government-owned entity may use its position to force the renegotiation of long-term purchase or supply agreements when market forces cause the underlying economics of an agreement to no longer favor the government-owned entity. Such renegotiation would result in a loss of value from such contracts for the transferred business.

3. Structural Risks

a. Inability to Control Transferred Businesses. Prisma will own interests in and manage its businesses exclusively through subsidiaries. Prisma will have varying degrees of management control over the operation of its businesses because Prisma's ownership may vary anywhere from 100% to significantly less than 50%. Refer to the ownership charts in X.A.3., "Transferred Businesses" for further information about each business segment. In some joint venture subsidiaries, Prisma is able to exert a significant degree of influence with respect to the management and operation of the business through contractual agreements granting operating authority to Prisma or its wholly owned subsidiaries, the right through shareholder or other governance agreements to appoint the officers of the joint venture and the right to fill positions on boards of directors or management committees. In certain other joint venture subsidiaries, Prisma's ability to exert influence is more limited. Even in subsidiaries where Prisma has significant rights, actions with respect to many significant matters require the consent of other joint venture parties or equity holders or their representatives and Prisma is not in a position to direct the outcome of many matters related to the underlying businesses. Where Prisma can nominate or appoint officers or directors of a given legal entity, such persons may owe a fiduciary duty to all stakeholders of such entity and will not be able to act solely in the interest and at the direction of Prisma. To the extent the interests of such entity, its other shareholders or its lenders are inconsistent with those of Prisma, the actions of such officers and directors in fulfilling their fiduciary duties may adversely affect the value of Prisma's equity interests in the entity.

Although Prisma will seek to establish centralized internal controls and procedures, including standards of internal accounting control, for each business in which it owns an interest, because of its limited control over certain businesses, these efforts may not always be successful. Prisma may not be able to ensure that internal accounting controls are adequate in businesses that it does not control. In addition, varying business cultures and practices in the 14 countries in which Prisma expects to own interests may make it difficult to implement and monitor adequate internal controls regardless of Prisma's ownership in or control over any business.

There is a danger that transferred businesses with divided ownership, such as SK-Enron and the expected 50/50 joint venture between Prisma and Shell with respect to Cuiabá, will reach a deadlock in the decision-making process, which could adversely affect the operation of those businesses, possibly for an extended period. The resolution of such a deadlock in some of Prisma's businesses requires the operation of buy-sell procedures, which allow one owner to set a price at which the other owner is required either to sell its interest or buy the other owner's interest. In any such case, there is a risk that such a deadlock could arise at a time when Prisma does not have sufficient funds available to buy out another partner and therefore would be required to sell its interest even if it believed that the price specified was not representative of the value of the interest Prisma held. In addition, any such forced transfer could have significant negative tax or accounting implications for Prisma.

b. Reliance on Subsidiaries for Dividends and Distributions. Substantially all of Prisma's cash flow will be dependent upon the receipt of cash dividends and distributions or other transfers from its subsidiaries. Prisma's subsidiaries will be separate and distinct legal entities that in certain instances have no obligation, contingent or otherwise, to make any funds available to Prisma, whether by dividends, loans or other payments. For example, SK-Enron has historically reinvested its earnings and not paid dividends pursuant to the terms of a shareholders agreement that obligates the parties to minimize dividends. In addition, Cuiabá uses a substantial portion of all available earnings to pay loans to ENHBV, an ENE affiliate that may not be transferred to Prisma. Accroven has not been able to pay dividends because it has not achieved project completion (as defined in its financing documents). Prisma will be unable to unilaterally cause dividends or distributions to be made from many of the transferred businesses in which it owns less than a 100% interest. In addition, each subsidiary's ability to pay dividends to Prisma depends on any statutory or contractual restrictions that may be applicable to such subsidiary, which may include requirements to maintain minimum levels of working capital and other assets. Included in such contractual restrictions are the debt agreements of certain subsidiaries that restrict their ability to pay dividends, make distributions, or otherwise transfer funds to Prisma. In addition, a substantial amount of the assets of certain of Prisma's subsidiaries have been pledged as collateral under such debt agreements. To the extent Prisma's subsidiaries do not have funds available or are otherwise restricted from paying dividends to Prisma, its ability to pay dividends on its common stock will be adversely affected. Dividend policies may also be impacted by withholding taxes and other tax treatment that may make it disadvantageous to pay dividends.

c. Transfer Restrictions. Most of the transferred businesses are subject to transfer restrictions running in favor of co-sponsors, financing parties, governmental agencies issuing required approvals, off-takers, and others. While Prisma is expected to own and operate or otherwise participate in the management of all of the businesses initially contributed to Prisma, should it desire to sell any in the future, it may need to obtain a consent or waiver of any such restrictions applicable to the business to be sold. The existence of such transfer restrictions may make it more difficult for Prisma to sell its interests and may adversely affect the price at which it may be able to sell its interests.

d. Concentration of Revenues. Prisma's results will be disproportionately affected by the results of a few of its largest businesses. It is estimated that SK-Enron and Elektro will represent a material portion of Prisma's revenues, which leaves it disproportionably vulnerable to any negative developments that may arise with respect to those businesses or in South Korea or Brazil.

4. Tax Risks

a. Tax Treaties. Prisma's ability to repatriate the maximum amount of earnings from the various foreign jurisdictions in which its projects conduct activities may be affected by whether income tax treaty benefits are available. The Cayman Islands does not have an income tax treaty network with other countries.

b. Passive Foreign Investment Company. For U.S. federal income tax purposes, Prisma is a "foreign corporation." A foreign corporation is classified as a PFIC for federal income tax purposes in any taxable year in which, after taking into account its pro-rata share of the gross income and assets of any company, U.S. or foreign, in which such foreign corporation is considered to own 25% or more of the shares by value, either (i) 75% or more of its gross income in the taxable year is passive income, or (ii) 50% or more of its assets (averaged over the year and ordinarily determined based on fair market value) are held for the production of, or produce, passive income.

The Debtors do not anticipate that Prisma will be a PFIC for its first taxable year and, based on Prisma's current business plan, do not anticipate that Prisma will become a PFIC. However, because the Debtors' expectations are based, in part, on interpretations of existing law as to which there is no specific guidance, and because the tests for PFIC status are applied annually, there can be no assurance that Prisma will not be treated as a PFIC. If Prisma is, or becomes, a PFIC, certain shareholders thereof may be subject to adverse U.S. federal income tax consequences upon receipt of distributions from Prisma or upon realizing a gain on the disposition of shares of Prisma Common Stock, including taxation of such amounts as ordinary income (which does not qualify for the reduced 15% tax rate applicable to certain "qualified dividend income") and the imposition of an interest charge on the resulting tax liability as if such ordinary income accrued over such shareholders' holding period for the Prisma Common Stock.

Holders of Claims who may receive Prisma Common Stock under the Plan are urged to consult their own tax advisers regarding income derived from holding or disposing of Prisma Common Stock.

c. Tax Determinations. The businesses to be transferred to Prisma have taken tax positions on many issues and with respect to each of the various jurisdictions in which they may be subject to taxation. Although such transferred businesses believe that such positions are correct, no assurance can be given that taxing authorities will not take a contrary view on any of a number of issues that could have a material adverse effect on the results of Prisma.

d. Differences in Valuation. Upon the transfer of assets (most of which are contracts rights and as such are considered intangibles for U.S. tax purposes) to Prisma, U.S. gain is likely to be recognized in the amount of the difference between the fair market value of the contract rights and the tax basis in either the stock or assets transferred. There is a risk of valuation controversy with the IRS. However, in view of the amount of the Debtors' NOL, the Debtors believe that no material amount of federal income tax liability could result from such controversy. For a discussion of the Debtors' NOL, refer to Section XV., "Certain Material Federal Income Tax Consequences of the Plan".

5. Other Risks

a. Contractual and Regulatory Disputes. Certain of Prisma's subsidiaries are currently involved in material disputes with regulatory authorities, partners, or contractual counterparties and have taken tax positions that may be subject to dispute. The outcome of these disputes could have a material adverse impact on Prisma's financial condition and on the operation of Prisma's business. Refer to Sections X.A.3., "Transferred Businesses" and X.C., "Legal Proceedings" for further information on such disputes.

b. Third-Party Consent to Transfer of Businesses. At the current time, Prisma owns no material assets. Various approvals and consents of third parties (including governmental authorities) will be needed before the businesses described in this Disclosure Statement can be transferred to Prisma as contemplated by the Plan. There can be no assurance that all or any of such approvals or consents can be obtained. If any required approval or consent cannot be obtained, then at the discretion of ENE, subject to the consent of the Creditors' Committee as contemplated in the Plan, such business will not be transferred to the ownership of Prisma and, instead, will remain, directly or indirectly, with ENE. As a result, it is possible that Prisma's businesses may not include all of the transferred businesses described in this Disclosure Statement. In addition, it is possible that any consents or approvals that are given could contain conditions or limitations that could adversely affect Prisma's ability to operate and manage its business, or adversely affect its financial results.

c. Investment Company Act of 1940. The Investment Company Act requires the registration of, and imposes various substantive restrictions on, certain companies that engage primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities, or that fail certain tests regarding the composition of assets and sources of income and are not primarily engaged in businesses other than investing, holding, owning, or trading securities. Based on a preliminary analysis, which assumed that all of the businesses to be transferred to Prisma as described in this Disclosure Statement are in fact transferred, Prisma believes that it will not be required to register as an "investment company" under the Investment Company Act. There can be no assurance, however, that (i) a change in the mix of businesses to be transferred to Prisma or any subsequent information will not change this analysis, or (ii) the SEC will not otherwise determine that Prisma is an "investment company" required to register under the Investment Company Act. If Prisma were required to register as an investment company under the Investment Company Act, it would become subject to substantial regulations with respect to its capital structure, management, operations, transactions with affiliates, and other matters. Registration as an investment company under the Investment Company Act would have a material adverse effect on Prisma.

J. Litigation Trust Risks

In addition to the risk factors enumerated above, the Litigation Trust and the Special Litigation Trust are subject to the following risk:

1. Nonoccurrence of Distributions

Distributions from the Litigation Trust and the Special Litigation Trust will be dependent upon the success of the Litigation Trust Claims and Special Litigation Trust Claims and the proceeds of such Litigation Trust Claims and Special Litigation Trust Claims being in excess of the liabilities, obligations, and expenses of the Litigation Trust and Special Litigation Trust, as the case may be. The Debtors can make no assurances that there will be any distributions from the Litigation Trust or the Special Litigation Trust.

XV. Certain Material Federal Income Tax Consequences of the Plan

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

The following discussion summarizes certain material federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Allowed Claims. This summary does not address the federal income tax consequences to holders of Claims who are deemed to have rejected the Plan in accordance with the provisions of section 1126(g) of the Bankruptcy Code (*i.e.*, holders of Enron Preferred Equity Interests (Class 373), Enron Common Equity Interests (Class 374), Enron Subordinated Debenture Claims (Class 181) and Subordinated Claims (Classes 366-372)) or holders whose Claims are entitled to payment in full in Cash or are otherwise unimpaired under the Plan (*i.e.*, holders of Allowed Administrative Expense Claims, Allowed Priority Claims and Allowed Secured Claims). Additionally, this summary does not address the federal income tax consequences to holders of Allowed Intercompany Claims or to Settling Former Employees.

This summary is based on the IRC, existing and proposed Treasury Regulations, judicial decisions, and published administrative rules and pronouncements of the IRS as in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis. Any such change could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested an opinion of counsel with respect to any of the tax aspects of the Plan. While the Debtors intend to seek a ruling from the IRS concerning certain, but not all, of the federal income tax consequences of the Plan, there is no assurance that a favorable ruling will be obtained, and the consummation of the Plan is not conditioned upon the issuance of such a ruling.

This summary does not address state, local or foreign income or other tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as non-U.S. persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, tax-exempt organizations, persons holding Common Stock of any of the Operating Entities as part of a hedging, straddle, conversion or constructive sale transaction or other integrated investments, traders in securities that elect to use a mark-to-market method of accounting for their security holding, certain expatriates, or former long term residents of the United States, persons who receive Common Stock of any of the Operating Entities as compensation, holders of 10% or more of the voting power (directly, indirectly or constructively) of Prisma, or pass-through entities or investors in pass-through entities).

ACCORDINGLY, THE FOLLOWING SUMMARY IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PARTICULAR CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. EACH HOLDER OF A CLAIM IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES APPLICABLE TO IT UNDER THE PLAN.

A. Consequences to the Debtors

For federal income tax purposes, ENE is the parent of an affiliated group of corporations that includes certain of the Debtors and certain of their corporate subsidiaries that join in the filing of a consolidated federal income tax return. This group of corporations, the ENE Tax Group, has reported substantial consolidated NOL carryforwards for federal income tax purposes as of December 31, 2001. In addition, the Debtors expect that the ENE Tax Group will report additional losses for the taxable year ended December 31, 2002 and will incur additional losses during the taxable year ending December 31, 2003, which the Debtors expect will generate additional NOL carryforwards for the ENE Tax Group as of December 31, 2003. The amount of such NOLs and NOL carryforwards remains subject to review and adjustment by the IRS and to the application of Sections 108 and 382 of the IRC.

If the Debtors remain in existence following the Effective Date, the sole purpose of their remaining in existence will be the winding-up of their affairs. Accordingly, the Debtors intend to treat the Plan as a plan of liquidation for federal income tax purposes. As discussed below, due to the lack of direct authoritative guidance as to the survival and utilization of NOL carryforwards and the timing of recognition of cancellation of indebtedness in the context of a plan of liquidation there is a risk that certain of the Debtors' favorable tax attributes (such as any losses incurred through the end of the taxable year in which the Plan becomes effective, NOL carryforwards, and tax basis) may be substantially reduced, eliminated, or subjected to significant limitations as the result of implementation of the Plan. The Debtors believe that, notwithstanding the potential for attribute reduction, elimination or limitation, implementation of the Plan should not cause them to incur a material amount of federal income tax so long as they have disposed of substantially all of their assets on or prior to the earlier of (a) the earliest date on which an "ownership change" (within the meaning of Section 382 of the IRC, as discussed below) occurs or (b) the last day of the taxable year that includes the earliest date on which they are treated, for federal income tax purposes, as having a discharge of a material amount of indebtedness (as discussed below). The Debtors' objective is to implement the Plan in a manner that will cause them to have disposed of substantially all of their assets on or prior to the earlier of these dates; however, there can be no assurance that the Debtors will achieve this objective because (i) there is a lack of direct authoritative guidance as to when these dates occur and (ii) certain of the Debtors' assets are subject to transfer restrictions (including the possible requirement for governmental or third-party private consents) that may prevent their timely disposition by the Debtors.

1. Cancellation of Debt

The IRC provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOL carryforwards, current year NOLs, tax credits, and tax basis in assets – by the amount of any COD that arises by reason of the discharge of the debtor's indebtedness. Under recently issued Treasury Regulations (as well as proposed tax legislation) the reduction in certain tax attributes (such as NOL carryforwards) occurs on a consolidated basis where, as in the case of the Debtors who are members of the ENE Tax Group, a consolidated federal income tax return is filed. COD is the amount by which the adjusted issue price of indebtedness discharged exceeds the amount of cash, the issue price of any debt instrument and the fair market value of any other property given in exchange therefor, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to a tax deduction).

If the amount of such a debtor's COD is sufficiently large, it can eliminate these favorable tax attributes; to the extent the amount of COD exceeds the amount of such tax attributes, the excess COD has no adverse federal income tax consequence. Any reduction in tax attributes under these rules does not occur until the end of the taxable year after such attributes have been applied to determine the tax in the year of discharge or, in the case of asset basis reduction, the first day of the taxable year following the taxable year in which the COD occurs.

The Debtors believe that the implementation of the Plan should not cause them to incur a material amount of federal income tax by reason of COD so long as they have disposed of substantially all of their assets on or prior to the last day of the taxable year that includes the earliest date on which they are treated, for federal income tax purposes, as recognizing a material amount of COD. The Debtors' objective is to implement the Plan in a manner that will cause them to have disposed of substantially all of their assets on or prior to such date; however, there can be no assurance that the Debtors will achieve this objective because (i) there is a lack of direct authoritative guidance as to when such date occurs and (ii) certain of the Debtors' assets are subject to transfer restrictions (including the possible requirement for governmental or third-party private consents) that may prevent their timely disposition by the Debtors.

2. Limitations on NOL Carryforwards and Other Tax Attributes

a. Section 382 Limitations – General. Under Section 382 of the IRC, if a corporation (or consolidated group) undergoes an "ownership change," the amount of its pre-change losses (including NOL carryforwards from periods before the ownership change and certain losses or deductions which are "built-in," (i.e., economically accrued but unrecognized), as of the date of the ownership change) that may be utilized to offset future taxable income generally is subject to an annual limitation.

Subject to the business continuation requirement discussed below, the amount of this Annual Limitation is equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the common parent) immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate," which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the ownership change occurs. For a corporation (or consolidated group) in bankruptcy that undergoes the ownership change pursuant to a confirmed bankruptcy plan, the stock value generally is determined immediately after (rather than before) the ownership change by taking into account the surrender or cancellation of creditors' claims, also with certain adjustments. The Annual Limitation can potentially be increased by the amount of certain recognized built-in gains.

Notwithstanding the foregoing general rule, however, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business for two years after the ownership change, the Annual Limitation resulting from the ownership change is zero (potentially increased by certain recognized built-in gains).

As indicated above, the Annual Limitation does not only limit the amount of NOL carryforward that can be utilized after an ownership change occurs, it can also operate to limit the deductibility of built-in losses recognized subsequent to the date of the ownership change. If a loss corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deduction), then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as pre-change losses and similarly will be subject to the Annual Limitation. Conversely, if the loss corporation (or consolidated group) has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the Annual Limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. Although the rule applicable to net unrealized built-in losses generally applies to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within the preceding five years may not be able to be taken into account in the group computation of net unrealized built-in loss. Such corporations would nevertheless still be taken into account in determining whether the consolidated group has a net unrealized built-in gain. In general, a loss corporation's (or consolidated group's) net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) $10 million or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change.

b. Section 382 Limitations – Possible Application to the ENE Tax Group. In light of the foregoing, the ENE Tax Group's ability to utilize certain NOLs (and carryforwards thereof) and certain other tax attributes would be potentially subject to limitation if ENE were to undergo an "ownership change" within the meaning of Section 382 of the IRC by reason of the implementation of the Plan (or otherwise). Although there is a lack of direct authoritative guidance on this point, the Debtors intend to take the position that because the Plan is a plan of liquidation for federal income tax purposes, neither its confirmation nor consummation will cause the holders of Claims to be deemed to have acquired stock, or the shareholders to be deemed to have surrendered stock so that there will not have been an ownership change for purposes of Section 382 of the IRC. If, notwithstanding this position, an ownership change were to occur, the Debtors could incur a material amount of federal income tax in connection with the implementation of the Plan unless (1) the Debtors' assets are distributed pursuant to the Plan on or before the date of such ownership change or (2) the amount of the Annual Limitation (taking into account the increase therein for certain recognized built-in gains) is large enough to permit the ENE Tax Group to utilize an amount of NOL carryforwards (and other attributes) sufficient to offset such income tax.

The Debtors believe that the implementation of the Plan should not cause them to incur a material amount of federal income tax by reason of the application of Section 382 of the IRC so long as they have disposed of substantially all of their assets on or prior to the earliest date on which an "ownership change" (within the meaning of Section 382 of the IRC) occurs. The Debtors' objective is to implement the Plan in a manner that will cause them to have disposed of substantially all of their assets on or prior to such date; however, there can be no assurance that the Debtors will achieve this objective because (i) there is a lack of direct authoritative guidance as to when such date occurs and (ii) certain of the Debtors' assets are subject to transfer restrictions (including the possible requirement for governmental or third party private consents) that may prevent their timely disposition by the Debtors.

3. Alternative Minimum Tax

In general, a federal alternative minimum tax is imposed on a corporation's alternative minimum taxable income at a 20% tax rate to the extent such tax exceeds the corporation's regular federal income tax. For purposes of computing taxable income for alternative minimum tax purposes, certain tax deductions and other beneficial allowances are modified or eliminated. For example, a corporation is generally not allowed to offset more than 90% of its taxable income for federal alternative minimum tax purposes by available NOL carryforwards.

In addition, if a corporation (or consolidated group) undergoes an "ownership change" within the meaning of Section 382 of the IRC and is in a net unrealized built-in loss position (as determined for federal alternative minimum tax purposes) on the date of the ownership change, the corporation's (or consolidated group's) aggregate tax basis in its assets would be reduced for certain federal alternative minimum tax purposes to reflect the fair market value of such assets as of the change date.

Any federal alternative minimum tax that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years to the extent the corporation is no longer subject to federal alternative minimum tax.

Except as described below, the Debtors believe that the implementation of the Plan should not cause them to incur a material amount of federal alternative minimum tax so long as they have disposed of substantially all of their assets on or prior to the earlier of (a) the earliest date on which an "ownership change" (within the meaning of Section 382 of the IRC, as discussed below) occurs or (b) the last day of the taxable year that includes the earliest date on which they are treated, for federal income tax purposes, as having a discharge of a material amount of indebtedness (as discussed below). The Debtors' objective is to implement the Plan in a manner that will cause them to have disposed of substantially all of their assets on or prior to the earlier of these dates; however, there can be no assurance that the Debtors will achieve this objective because (i) there is a lack of direct authoritative guidance as to when these dates occur and (ii) certain of the Debtors' assets are subject to transfer restriction (including the possible requirement for governmental or third party private consents) that may prevent their timely disposition by the Debtors. Moreover, even if the Debtors accomplish the foregoing objectives, alternative minimum tax liability could be incurred if, pursuant to the Plan, the stock of PGE or CrossCountry (or a subsidiary of CrossCountry) is transferred in a manner that enables the company whose stock is transferred to increase its basis in its assets for federal income tax purposes; however, the Debtors do not anticipate that they would effect such a transaction unless it were determined to maximize the value of these assets taking into account the effect of any applicable alternative minimum tax.

B. Consequences to the Holders of Certain Claims

1. Consequences to Holders of Convenience Claims

Pursuant to the Plan, holders of Allowed Convenience Claims (in Classes 186 to 365) will receive Cash in satisfaction and discharge of their Claims. Refer to Section XV.B.2., "Consequences to Holders of General Unsecured Claims, Enron Guaranty Claims, and Wind Guaranty Claims" for information relevant to holders of Allowed Convenience Claims that elect to have such Claims treated as General Unsecured Claims.

In general, each holder of an Allowed Convenience Claim will recognize gain or loss in an amount equal to the difference between (i) the amount of Cash received by such holder in satisfaction of its Claim (other than any Claim for accrued but unpaid interest) and (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). Refer to Section XV.B.3., "Distributions in Discharge of Accrued But Unpaid Interest" for a discussion of the tax consequences of any Claims for accrued interest.

Where gain or loss is recognized by a holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the holder previously had claimed a bad debt deduction.

A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

Each holder of an Allowed Convenience Claim should consult its own tax advisor to determine the character of any gain or loss recognized by it in connection with the implementation of the Plan.

2. Consequences to Holders of General Unsecured Claims, Enron Guaranty Claims, and Wind Guaranty Claims

a. Gain or Loss – Generally. In general, holders of Allowed General Unsecured Claims (Classes 3-180), Allowed Enron Guaranty Claims (Class 183), and Allowed

Wind Guaranty Claims (Class 184) will recognize gain or loss in an amount equal to the difference between (i) such holder's "amount realized" in respect of its Claim, which is the amount of cash and the fair market value of any property (including, as discussed below, such holder's undivided interest in the assets transferred to the Litigation Trust, the Special Litigation Trust, the Operating Trusts (to the extent such trusts are established) and the Remaining Assets Trust (to the extent such trust is established) received by the holder in satisfaction of its Claim (other than amounts that are in respect of any Claim for accrued but unpaid interest, and amounts required to be treated as imputed interest (refer to Section XV.B.2.b., "Gain or Loss – Imputed Interest" and (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). Refer to Section XV.B.3., "Distributions in Discharge of Accrued But Unpaid Interest" for a discussion of the federal income tax consequences of any Claim for accrued interest.

As discussed below, each of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust has been structured with the intention of qualifying as a "grantor trust" for federal income tax purposes. Accordingly, the Debtors will treat each holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim that receives an interest in one of the above-referenced trusts for federal income tax purposes as directly receiving, and as a direct owner of, its allocable percentage of the assets of the applicable trust. Refer to Section XV.B.4., "Tax Treatment of the Trusts and Holders of Beneficial Interests". Pursuant to the Plan, a good faith valuation of the assets of each trust as of the date of distribution of interests in such trust will be made, and the Debtors and the trustees of the trusts will use such valuations in filing any required reports or returns with the IRS. All holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims will be informed of such determination and are required by the Plan to use such valuations on tax returns and reports filed with the IRS.

Any amount that such a holder receives as a distribution from the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and/or the Remaining Assets trust in respect of its beneficial interests in the trust (other than as a result of a subsequent distribution from the Disputed Claim Reserve) should not be included, for federal income tax purposes, in such holder's amount realized in respect of its Claim but should be separately treated as a distribution received in respect of such holder's beneficial (ownership) interests in the applicable trust. Refer to Section XV.B.4., "Tax Treatment of the Trusts and Holders of Beneficial Interests".

b. Gain or Loss – Imputed Interest. If distributions are made to a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim by the Debtors (and/or the Disputed Claims Reserve) subsequent to the Effective Date or on multiple dates, the imputed interest provisions of the IRC may apply to treat a portion of such distributions as interest for federal income tax purposes. Holders of such claims are urged to consult their tax advisors regarding the possible application of these imputed interest rules.

c. Gain or Loss – Effect of Potential Future Distributions. The possibility that a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim will receive distributions after the Effective Date can have tax consequences to such holders.

(i) All distributions (whether or not received on the Effective Date) to a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim (including distributions from the Disputed Claims Reserve (other than amounts attributable to earnings)) should be taxable to such holder in accordance with the principles discussed above in "Gain or Loss – Generally." As noted in "Gain or Loss – Imputed Interest" above, the imputed interest provisions of the IRC may apply to treat a portion of any subsequent distribution as imputed interest.

(ii) It is possible that recognition of any loss realized by a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim may be deferred until such holder can no longer receive future distributions under the Plan from the Disputed Claims Reserve and/or the Debtors.

(iii) It is possible that any gain realized by a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim in respect of distributions from the Debtors and/or the Disputed Claims Reserve may be deferred under the "installment method" of reporting. Such deferral of gain recognition may not be advantageous to a particular holder and, accordingly, holders of such claims should consider the desirability of making an election to forego the application of the installment method.

(iv) Holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims are urged to consult their tax advisors regarding the possibility for such deferral of recognition of gains and losses and the possibility of electing out of the installment method of reporting any gain realized in respect of their Claims.

d. Gain or Loss – Character. Where gain or loss is recognized by a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount and whether and to what extent the holder had previously claimed a bad debt deduction. A holder of such a claim that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange. Holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims are urged to consult their tax advisors to determine the character of any gain or loss recognized in connection with the implementation of the Plan.

e. Property Received - Tax Basis. In general, a holder's tax basis in any property received (including the holder's undivided interest in the assets of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and/or the Remaining Assets Trust) will equal the fair market value of such property on the date of distribution, and the holding period for such property generally will begin the day following the date of distribution.

f. Gain or Loss - Certain Holders Whose Claims Constitute Stock or Securities. If (1) a holder's Claim constitutes either "stock" or a "security" for federal income tax purposes, (2) the obligor under the Claim (x) is treated as a corporation for federal income tax purposes and (y) is one of the entities that is treated, for federal income tax purposes, as transferring assets to Prisma or CrossCountry on or prior to the Effective Date, and (3) the assets so transferred by such corporation constitute "substantially all" of the assets of such corporation for federal income tax purposes, then such holder's federal income tax treatment may differ from the treatment described above. For such Holder, the formation of Prisma or CrossCountry may be treated as a tax-free reorganization for federal income tax purposes that would prevent such a holder from recognizing a loss in respect of the implementation of the Plan; such loss would instead be reflected in a higher than fair market value basis in the Prisma Common Stock and/or CrossCountry Common Stock received by such holder. For such a holder that would otherwise recognize a gain in respect of the implementation of the Plan, it is possible that tax-free reorganization treatment could defer a portion of such gain; such deferred gain would be reflected in a lower than fair market value basis in the Prisma Common Stock and/or CrossCountry Common Stock received by such holder. It is possible that this alternative tax treatment (and consequent deferral of loss recognition and possible deferral of gain recognition) could also apply to a holder of a Claim against ENE that constitutes either "stock" or a "security" for federal income tax purposes (even if the formation of CrossCountry did not cause such treatment, as discussed above), if ENE were to transfer the Existing PGE Common Stock or the PGE Common Stock to a holding company (which, subject to regulatory considerations, ENE has the right to do.)

Whether a Claim constitutes either "stock" or a "security" for federal income tax purposes depends on the facts and circumstances surrounding the origin and nature of the Claim. Prominent factors that courts have relied upon in determining whether an obligation or other instrument constitutes either "stock" or a "security" include: (a) the term of the instrument, (b) whether the instrument is secured, (c) the degree of subordination of the instrument, (d) the ratio of debt to equity of the issuer, (e) the riskiness of the issuer's business, and (f) the negotiability of the instrument. Holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, or Allowed Wind Guaranty Claims should consult their tax advisors to determine whether their Claims constitute either "stock" or "securities" for federal income tax purposes and whether this alternative federal income tax treatment may be applicable to them.

g. Assets owned by Operating Subsidiaries – Tax Basis. The Debtors believe that certain of the Operating Entities and certain of their subsidiaries have a tax basis in their respective assets that is substantially lower than the fair market value of such assets. The Debtors may seek to implement the Plan in a manner that would increase the tax basis of certain such assets to their respective fair market value. However, there is no assurance that the Debtors will be able to achieve this objective.

h. Prisma – Certain PFIC Considerations. Pursuant to the Plan, holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims will receive, among other things, Prisma Common Stock. For U.S. federal income tax purposes, Prisma is a "foreign corporation." A foreign corporation is classified as a PFIC for federal income tax purposes in any taxable year in which, after taking into account its pro-rata share of the gross income and assets of any company, U.S. or foreign, in which such foreign corporation is considered to own 25% or more of the shares by value, either (i) 75% or more of its gross income in the taxable year is passive income, or (ii) 50% or more of its assets (averaged over the year and ordinarily determined based on fair market value) are held for the production of, or produce, passive income.

The Debtors do not anticipate that Prisma will be a PFIC for its first taxable year and, based on Prisma's current business plan, do not anticipate that Prisma will become a PFIC. However, because the Debtors' expectations are based, in part, on interpretations of existing law as to which there is no specific guidance, and because the tests for PFIC status are applied annually, there can be no assurance that Prisma will not be treated as a PFIC. If Prisma is, or becomes, a PFIC, certain shareholders thereof may be subject to adverse U.S. federal income tax consequences upon receipt of distributions from Prisma or upon realizing a gain on the disposition of shares of Prisma Common Stock, including taxation of such amounts as ordinary income (which does not qualify for the reduced 15% tax rate applicable to certain "qualified dividend income") and the imposition of an interest charge on the resulting tax liability as if such ordinary income accrued over such shareholder's holding period for Prisma Common Stock.

Holders of Claims who may receive Prisma Common Stock under the Plan are urged to consult their own tax advisers regarding income derived from holding or disposing of Prisma Common Stock.

3. Distributions in Discharge of Accrued But Unpaid Interest

In general, to the extent that property received by a holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, such a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full. It is unclear whether a holder of a Claim with previously included OID that is not paid in full would be required to recognize a capital loss rather than an ordinary loss. Holders of claims for accrued interest including amortized OID should consult their own tax advisors.

Pursuant to the Plan, all distributions in respect of any Claim will be allocated first to the principal amount of such Claim, and thereafter, to accrued but unpaid interest, if any. However, there is no assurance that such allocation will be respected by the IRS for federal income tax purposes.

Each holder of an Allowed General Unsecured Claim, Allowed Enron Guaranty Claim, or Allowed Wind Guaranty Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of previously included unpaid interest and OID for tax purposes.

4. Tax Treatment of the Trusts and Holders of Beneficial Interests

As discussed above, holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims may receive interests in one or more of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and/or the Remaining Assets Trust in connection with the implementation of the Plan.

a. Classification of the Trusts. Each such trust is intended to qualify as "grantor trust" for federal income tax purposes. In general, a "grantor trust" is not a separate taxable entity. As such, assuming each trust is classified as a grantor trust the assets transferred to such trusts will be deemed for federal income tax purposes to have been transferred by Debtors to the appropriate holders of Allowed Claims pursuant to the Plan and such assets will be treated as being owned at all times thereafter by such holders of Allowed Claims. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust have been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including the Debtors, the trustees of the trusts and the appropriate holders of Allowed Claims) are required to treat the trusts, for federal income tax purposes, as grantor trusts of which the appropriate holders of Allowed Claims are the owners and grantors. The following discussion assumes that the trusts will be respected as grantor trusts for federal income tax purposes. The Creditors' Committee intends to request a ruling from the IRS to that effect; however, there is no assurance that such ruling will be obtained. Additionally, no opinion of counsel has been requested concerning the tax status of the trusts as grantor trusts. As a result, there can be no assurance that the IRS will treat the trusts as grantor trusts. If the IRS were to challenge successfully such classification, the federal income tax consequences to the trusts, the holders of Allowed Claims, and the Debtors could vary from those discussed herein (including the potential for an entity level tax on any income of the trusts).

b. General Tax Reporting by the Trusts and Beneficiaries. For all federal income tax purposes, the Plan requires all parties (including the Debtors, the trustees of the Litigation Trust, the Special Litigation Trust, the Operating Trusts and the Remaining Assets Trust, and the appropriate holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims) to treat the transfer of assets by the Debtors to the trusts, for federal income tax purposes, as a transfer of such assets directly to the appropriate holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims, followed by the transfer of such assets by such holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims to the Trust. Consistent therewith, the Plan requires all parties to treat the trusts as grantor trusts of which such holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims are the owners and grantors. Thus, such holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims (and any subsequent transferees of interests in one of the applicable trusts) will be treated as the direct owners of a specified undivided interest in the assets of the applicable trust for all federal income tax purposes (which assets will have a tax basis equal to their fair market value on the date transferred to the trust). The Plan requires the trustee of each of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust to determine the fair market value of the assets of the trust as of the date the assets are transferred to the trust and, further requires all parties, including the beneficiaries of such trusts, to consistently use such valuations in filing any required returns and reports with the IRS.

Accordingly, except as discussed below (in connection with the Disputed Claims Reserve), the Plan requires each holder of an Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claim that is a beneficiary of such trusts to report on its federal income tax return its allocable share of any income, gain, loss, deduction, or credit recognized or incurred by each trust, in accordance with its relative beneficial interest. The character of items of income, deduction, and credit to any beneficiary and the ability of such beneficiary to benefit from any deduction or losses will depend on the particular situation of such beneficiary. The Disputed Claims Reserve will hold the beneficial interests in the trusts not owned by the beneficiaries and will report on its federal income tax return the portion of each trust's income, gain, loss, deduction, or credit attributable to the beneficial interest in the trust that it holds.

The federal income tax reporting obligation of a trust beneficiary is not dependent upon a trust distributing any cash or other proceeds. Therefore, a beneficiary may incur a federal income tax liability with respect to its allocable share of the income of a trust whether or not the trust has made any concurrent distribution to the beneficiary. In general, other than in respect of distributions attributable to a reduction in the Disputed Claims Reserve's interest in the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust and the forfeiture of unclaimed distributions, a distribution by a trust to an appropriate holder of an Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claim will not be taxable to such beneficiary because the beneficiaries are already regarded for federal income tax purposes as owning the underlying assets. Beneficiaries are urged to consult their tax advisors regarding the appropriate federal income tax treatment of distributions from the Trusts. Refer to Section XV.B.5., "Treatment of Disputed Claims Reserve" for additional information.

The trustee of each of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust will file with the IRS returns for the trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and will also send to each applicable beneficiary of such trusts, a separate statement setting forth such beneficiary's share of items of income, gain, loss, deduction, or credit and will instruct the beneficiary to report such items on its federal income tax return.

5. Treatment of Disputed Claims Reserve

From and after the Effective Date, and until such time as all of the Debtors' assets (and the proceeds thereof) can be distributed to the holders of Allowed Claims in accordance with the terms of the Plan, the Disputed Claims Reserve will own a portion of the Plan Currency and interests in the trusts.

Distributions from the Disputed Claims Reserve will be made to holders of Disputed Claims when such Claims are subsequently Allowed and to holders of Allowed Claims (whether such Claims were Allowed on or after the Effective Date) when any Disputed Claims are subsequently disallowed. In addition, to the extent that it is necessary for assets to be held in the Disputed Claims Reserve pending the sale of Remaining Assets (in order to determine which holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims are entitled to receive distributions thereof under the terms of the Plan), distributions from the Disputed Claims Reserve will also be made to such holders when sales of (or certain other circumstances in respect of) such Remaining Assets occur. Such distributions (other than amounts attributable to earnings) should be taxable to the recipient in accordance with the principles discussed above in "Gain or Loss – Generally."

a. Disputed Claim Reserve – Federal Income Tax – General. Under Section 468B(g) of the IRC, amounts earned by an escrow account, settlement fund, or similar fund are subject to current tax. Although certain Treasury Regulations have been issued under this section, no final Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts in a bankruptcy setting. Thus, depending on the facts of a particular situation, such an account could be treated as a separately taxable trust, as a grantor trust treated as owned by the holders of Disputed Claims or by the Debtors (or, if applicable, any of its successors), or otherwise. On February 1, 1999, the IRS issued proposed Treasury Regulations that, if finalized in their current form, would specify the tax treatment of escrows of the type here involved that are established after the date such Treasury Regulations become final. In general, such Treasury Regulations would tax such an escrow in a manner similar to a corporation. As to previously established escrows, such Treasury Regulations would provide that the IRS would not challenge any reasonably and consistently applied method of taxation for income earned by the escrow, and any reasonably and consistently applied method for reporting such income.

b. Disputed Claim Reserve – Federal Income Tax – Intended Treatment by Debtors. Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable final Treasury Regulations, the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent shall (i) treat the Disputed Claims Reserve as one or more discrete trusts (which may consist of separate and independent shares) for federal income tax purposes in accordance with the trust provisions of the IRC (sections 641 et seq.), and (ii) to the extent permitted by applicable law, report consistently for state and local income tax purposes. The Plan requires all parties to consistently follow such treatment in filing any returns and reports with the IRS.

Accordingly, subject to issuance of definitive guidance, the Disbursing Agent will report as subject to a separate entity level tax any amounts earned by the Disputed Claims Reserve including any taxable income of the Litigation Trust, the Special Litigation Trust, the Operating Trusts, and the Remaining Assets Trust allocable to the Disputed Claims Reserve, except to the extent such earnings or income are distributed by the Disbursing Agent during the same taxable year. In such event, the amount of earnings or income that is so distributed to an Allowed Claim holder during the same taxable year will be includible in such holder's gross income.

c. Disputed Claim Reserve –Financing of Tax Obligations. If the Disputed Claims Reserve has insufficient funds to pay any applicable taxes imposed upon it or its assets, the Reorganized Debtors will make a Tax Advance to the Disputed Claims Reserve. Any such Tax Advance will be repayable from future amounts otherwise receivable by the Disputed Claims Reserve.

If and when a distribution is to be made from the Disputed Claims Reserve, the distributee will be charged its pro rata portion of any outstanding Tax Advance (including accrued interest). If a cash distribution is to be made to such distributee, the Disbursing Agent shall be entitled to withhold from such distributee's distribution the amount required to pay such portion of the Tax Advance (including accrued interest). If such cash is insufficient to satisfy the respective portion of the Tax Advance and there is also to be made to such distributee a distribution of other Plan Currency or Trust interests, the distributee shall as a condition to receiving such other assets pay in cash to the Disbursing Agent an amount equal to the unsatisfied portion of the Tax Advance (including accrued interest). Failure to make such payment shall entitle the Disbursing Agent to reduce and permanently adjust the amounts that would otherwise be distributed to such distributee to fairly compensate the Disputed Claims Reserve for the unpaid portion of the Tax Advance (including accrued interest).

In light of the foregoing, each holder of an Allowed Claim is urged to consult its tax advisors regarding the potential tax treatment of the Disputed Claim Reserve, distributions therefrom, and any tax consequences to such holder relating thereto.

6. Withholding and Certain Information Reporting

All distributions to holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number, (b) furnishes an incorrect taxpayer identification number, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax identification number provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

Recently effective Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated on or after January 1, 2003, including, among other types of transactions, the following (1) a transaction offered under "conditions of confidentiality"; (2) a transaction where the taxpayer was provided contractual protection for a refund of fees if the intended tax consequences of the transaction are not sustained; (3) certain transactions that result in the taxpayer claiming a loss in excess of specified thresholds; and (4) a transaction in which the taxpayer's federal income tax treatment differs by more than a specified threshold in any tax year from its treatment for financial reporting purposes. These categories are very broad; however, there are numerous exceptions. Holders of Allowed General Unsecured Claims, Allowed Enron Guaranty Claims, and Allowed Wind Guaranty Claims are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the federal, state, local, and foreign tax consequences applicable under the Plan.

XVI. Conditions Precedent To Effective Date Of The Plan

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Conditions Precedent to Effective Date of the Plan

The occurrence of the Effective Date and the substantial consummation of the Plan are subject to satisfaction of the following conditions precedent:

1. Entry of the Confirmation Order

The Clerk of the Bankruptcy Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Debtors and the Creditors' Committee and the effectiveness of which shall not have been stayed ten (10) days following the entry thereof.

2. Execution of Documents; Other Actions

All other actions and documents necessary to implement the Plan shall have been effected or executed.

3. Prisma Consents Obtained

The requisite consents to the transfer of the Prisma Assets and the issuance of the Prisma Common Stock have been obtained.

4. CrossCountry Consents Obtained

The requisite consents to the issuance of the CrossCountry Common Stock have been obtained.

5. PGE Consents Obtained

The requisite consents for the issuance of the PGE Common Stock have been obtained.

6. Waiver of Conditions Precedent

To the extent practicable or legally permissible, each of the conditions precedent in Section 34.1 of the Plan, may be waived, in whole or in part, by the Debtors with the consent of the Creditors' Committee. Any such waiver of a condition precedent may be effected at any time by filing a notice thereof with the Bankruptcy Court.

7. Alternative Structures

Notwithstanding anything contained in the Plan to the contrary, the Debtors, if jointly determined after consultation with the Creditors' Committee, may, after obtaining the requisite approvals, (a) form one (1) or more holding companies to hold the common stock of the Entities to be issued under the Plan and issue the equity interest therein in lieu of the common stock to be issued under the Plan and (b) form one (1) or more limited liability companies in lieu of the Entities to be created under the Plan and issue the membership interests therein in lieu of the common stock to be issued under the Plan; provided, however, that no such structures shall materially adversely affect the substance of the economic and governance provisions contained in the Plan.

B. Alternative Plan(s) of Reorganization

The Debtors have evaluated numerous reorganization alternatives to the Plan. After evaluating these alternatives, the Debtors have concluded that the Plan, assuming confirmation and successful implementation, is the best alternative and will maximize recoveries by holders of Claims. If the Plan is not confirmed, then the Debtors could remain in chapter 11. Should this occur, then the Debtors could continue to operate their businesses and manage their properties as debtors in possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. Moreover, the Debtors (whether individually or collectively) or, subject to further determination by the Bankruptcy Court as to extensions of exclusivity under the Bankruptcy Code, any other party in interest could attempt to formulate and propose a different plan or plans. This would take time and result in an increase in the operating and other administrative expenses of these Chapter 11 Cases. The Debtors believe that the Plan, as described herein, enables holders of Claims to realize the greatest recovery under the circumstances.

Notwithstanding anything contained in the Plan to the contrary, the Debtors, if jointly determined after consultation with the Creditors' Committee, may, after obtaining the requisite approvals, (a) form one (1) or more holding companies to hold the common stock of the Entities to be created hereunder and issue the equity interest therein in lieu of the common stock to be issued hereunder and (b) form one (1) or more limited liability corporations in lieu of the Entities to be created in accordance with the Plan and issue the membership interests therein in lieu of the common stock to be issued in accordance with the Plan.

C. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, then the Debtors' cases may be converted to cases under chapter 7 of the Bankruptcy Code, whereby a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to the holders of Claims in accordance with the strict priority scheme established by the Bankruptcy Code.

Under chapter 7, the cash amount available for distribution to Creditors would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors, augmented by the unencumbered cash held by the Debtors at the time of the commencement of the liquidation cases. Such cash amount would be reduced by the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of the Debtors' businesses and the use of chapter 7 for the purposes of liquidation.

The Debtors have analyzed liquidation in the context of chapter 7 and the Liquidation Analysis attached as Appendix L: "Liquidation Analysis" reflects the Debtors' estimates regarding recoveries in a chapter 7 liquidation. The Liquidation Analysis is based upon the hypothetical disposition of assets and distribution on Claims under a chapter 7 liquidation in contrast to the distribution of Creditor Cash, Plan Securities and interests in the Litigation Trust and the Special Litigation Trust under the Plan. The Liquidation Analysis assumes that, in the chapter 7 cases, the Bankruptcy Court will approve the settlements and compromises embodied in the Plan and described in the Disclosure Statement (including, without limitation, the 30/70 compromise regarding the likelihood of substantive consolidation) as fair and reasonable and determines that the compromise represents the best estimate, short of a final determination on the merits, of how these issues would be resolved. The Liquidation Analysis further takes into consideration the increased costs of a chapter 7 liquidation, the impact on the value of the three Operating Entities and the expected delay in distributions to Creditors.

The Debtors submit that the Liquidation Analysis evidences that the Plan satisfies the best interest of creditors test and that, under the Plan, each holder of an Allowed General Unsecured Claim will receive value that is not less than the amount such holder would receive in a chapter 7 liquidation. Further, the Debtors believe that pursuant to chapter 7 of the Bankruptcy Code, holders of Enron Subordinated Debenture Claims, Enron Preferred Equity Interests, Statutorily Subordinated Claims, Enron Common Equity Interests and Other Equity Interests would receive no distributions.

Estimating recoveries in any chapter 7 case is an uncertain process due to the number of unknown variables such as business, economic and competitive contingencies beyond the chapter 7 trustee's control, and this uncertainty is further aggravated by the complexities of these Chapter 11 Cases. The underlying projections contained in the Liquidation Analysis have not been compiled or examined by independent accountants. The Debtors make no representations regarding the accuracy of the projections or a chapter 7 trustee's ability to achieve forecasted results. Many of the assumptions underlying the projections are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the ultimate financial results. In the event these Chapter 11 Cases are converted to chapter 7, actual results may vary materially from the estimates and projections set forth in the Liquidation Analysis. As such, the Liquidation Analysis is speculative in nature.

XVII. Claims Allowance, Objection and Estimation Procedures

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

A. Schedules of Assets and Liabilities and Statements of Financial Affairs

Under Bankruptcy Rule 1007(c), the Debtors are required to file their Schedules within 15 days of the filing of the bankruptcy petition. On April 12, 2002, the Bankruptcy Court entered an order (a) setting June 17, 2002 as the deadline for the first 51 Debtors to file their Schedules and (b) granting any Debtors filing petitions subsequent to March 1, 2002 an extension of 120 days from the fifteen-day period after any such Debtor's respective Petition

Date to file their Schedules. Refer to Appendix D: "Filing of Schedules and Statements" for a list of Debtors and the dates on which they filed their Schedules.

B. Claims Bar Date and Notice of the Bar Date

By order dated August 1, 2002, the Bankruptcy Court set the Claims Bar Date, depending on when each Debtor filed its Schedules. Refer to Appendix D: "Filing of Schedules and Statements" for further information about the Claims Bar Date for each Debtor.

In accordance with that order, notices informing Creditors of the last date to timely file proofs of claims were and will be mailed at least 45 days prior to the Claims Bar Date relating to each respective Debtor, along with a customized proof of claim form. In addition, consistent with that order, the Debtors caused and will continue to cause to be published in the Houston Chronicle, the national editions of The Wall Street Journal and New York Times, and the Financial Times, a notice of each Claims Bar Date listed above. In addition, notice of the October 15, 2002 Claims Bar Date was published in the Los Angeles Times, The Oregonian, and the Omaha World-Herald. Notice of the October 31, 2002 Claims Bar Date was also published in the Seattle Times Post-Intelligencer and El Nuevo Dia. Additionally, the Debtors published notice of the December 2, 2002 Claims Bar Date in the Los Angeles Times, the Seattle Times Post-Intelligencer, and El Nuevo Dia.

Debenture holders and stockholders did not need to file a proof of claim or proof of interest to preserve their debenture claims or stock interests. The records of the indenture trustees will be relied on as evidence of the debenture claims, and the records of the stock transfer agent will be relied on as evidence of the stock interests.

Pursuant to the Bankruptcy Court's August 1, 2002 order, no Claims Bar Date was set for any Debtor or majority-owned non-Debtor affiliate to file Claims against any Debtor. The Debtors are relying upon their Schedules (as the same may be amended or supplemented from time to time) for purposes of allowance and distribution of Claims held by any Debtor against another Debtor or by any majority-owned non-Debtor affiliate against any Debtor.

C. Allowance and Impairment of Claims

To be entitled to receive a distribution under the Plan, a Creditor must have an Allowed Claim. To be entitled to vote on the Plan, however, a Creditor must have an Allowed Claim that is also impaired. If a Claim is not Allowed, the Creditor will not be entitled to vote on the Plan or to receive a distribution. Any Class as to which no distribution will be made under the Plan under any circumstances does not vote on the Plan and is deemed not to have accepted it. Any Class that is not impaired will be deemed to have accepted the Plan.

1. Allowance of Claims

A Claim is automatically Allowed if (i) a proof of claim has been filed and no objections to the Claim are asserted, or (ii) the Claim is listed in the Debtors' Schedules and is not listed as disputed, contingent, or unliquidated.

If a proof of claim is filed and an objection to that Claim is asserted, the objection must be resolved before the Claim will be Allowed. If a Claim is scheduled on the Debtors' Schedules as disputed, contingent, or unliquidated, the Claim is not Allowed unless (i) a proof of claim is filed on or before the Claims Bar Date, and (ii) objections to the proof of claim are resolved by a Final Order of the Bankruptcy Court. The Debtors' Schedules are too voluminous to reproduce in this Disclosure Statement, but have been filed with the Bankruptcy Court and may be reviewed there by Creditors.

2. Impairment of Claims

Under section 1124 of the Bankruptcy Code, a class of claims is impaired under a plan unless, with respect to each claim of such class, (i) it is paid in full on the effective date of the plan; (ii) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim is entitled; or (iii) all defaults are cured, the original maturity of the claim is reinstated, and the claim is otherwise treated as provided in clause (ii).

D. Objections to Claims

1. General

In excess of 23,000 proofs of claim asserting Claims against the Debtors have been filed with the Bankruptcy Court. The aggregate amount of Claims filed and scheduled exceeds $781.5 billion, including duplication, but excluding any estimated amounts for contingent or unliquidated Claims. From March 7, 2003 through August 29, 2003, the Debtors filed one objection to an individual claim and eleven omnibus objections to proofs of claim, which resulted in the subsequent disallowance and expungement of over 3,400 proofs of claim totaling over $103 billion. As of September 8, 2003, the Debtors have filed pending objections covering over 1,250 claims for a total of over $30 billion, which are set for hearing from September 25, 2003 to October 9, 2003. In addition, the Bankruptcy Court has approved stipulations disallowing or reducing the claimed amounts by more than $3 billion.

The Debtors are in the process of evaluating the proofs of claim to determine whether additional objections seeking the disallowance of some asserted Claims should be filed. The Debtors are reconciling the scheduled Claims with the Claims asserted in proofs of claim and are continuing to eliminate duplication and other inaccuracies to ensure that only valid claims are allowed by the Bankruptcy Court. The Debtors anticipate filing additional objections addressing a substantial portion of the remaining filed proofs of claim. The disallowed amount will continue to increase as the Debtors file more objections to the asserted Claims for amounts that the Debtors believe are invalid. The Debtors and Reorganized Debtors reserve their rights to object to assigned claims and seek their equitable subordination if such claims could have been subordinated in the hands of the assignors. The Plan provides that the Reorganized Debtors shall file and serve all objections to Claims within 240 days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

E. Estimation Procedures

On August 28, 2003, the Debtors filed a motion seeking approval to implement procedures whereby the Bankruptcy Court will estimate, for purposes of distribution under the

Plan, Claims filed in the Debtors' Chapter 11 Cases, inclusive of counterclaims in connection with trading contracts. The motion is set for hearing on September 25, 2003. The claim procedures contemplated in the motion provide the Debtors and their creditors the opportunity to negotiate with each other to settle the disputed, unliquidated, and contingent claims and counterclaims pursuant to Bankruptcy Court-approved procedures. After the Debtors move to estimate a particular claim and prior to an estimation hearing, the Debtors may extend an offer to resolve such claim, and a claimant may accept, reject, or extend a counteroffer. Subject to certain amount limitations and approvals by the Creditors' Committee, a stipulation and agreed order shall memorialize any settlement of a claim reached by the parties. If the Debtors and Creditors are unable to agree to a settlement of a particular Claim, the claim procedures provide that all parties proceed to a hearing before the Bankruptcy Court and conduct such hearing in accordance with structured guidelines to estimate and allow disputed, unliquidated, and contingent claims for all purposes, except voting.

F. Temporary Allowance Procedures

On August 28, 2003, the Debtors filed a motion seeking approval of certain guidelines and procedures for temporarily allowing Claims for voting purposes in connection with soliciting votes on the Plan. The motion is set for hearing on September 25, 2003.

XVIII. Voting Procedures

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

Classes 1 and 2 of the Plan are unimpaired. As a result, holders of Claims in those Classes are conclusively presumed to have accepted the Plan and are not entitled to vote.

Classes 3 through 180, 183, 184 and 186 through 365 of the Plan are impaired and, to the extent Claims in such Classes are Allowed Claims, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan.

Class 185 of the Plan, consisting of Intercompany Claims, is presumed to have accepted the Plan and all holders of such Claims are proponents of the Plan. As a result, holders of Claims in Class 185 are not entitled to vote.

Classes 181, 182, and 366 through 375 of the Plan, consisting of certain holders of Claims and all holders of Equity Interests, will not receive any distributions under the Plan. As a result, holders of Claims and Equity Interests in Classes 181, 182, and 366 through 375 are conclusively presumed to have rejected the Plan and are not entitled to vote. Refer to Section XVII.E., "Estimation Procedures" for further information.

XIX. Confirmation Of The Plan

Capitalized terms used throughout this Disclosure Statement are defined in Appendix A: "Material Defined Terms for Enron Disclosure Statement" attached hereto.

The Plan will not constitute a valid, binding contract between the Debtors and their creditors until the Bankruptcy Court has entered a Final Order confirming the Plan. The Bankruptcy Court must hold a confirmation hearing before deciding whether to confirm the Plan.

A. Confirmation Hearing

The Bankruptcy Court has ordered that the hearing on confirmation of the Plan will begin on [_____________, 2003] at [__:__ _.m. New York City Time], in Room 523 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York and will continue thereafter until concluded. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any subsequent adjournment of that hearing.

B. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements for confirmation listed in section 1129 of the Bankruptcy Code. If the Bankruptcy Court determines that those requirements are satisfied, it will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, the requirements for confirmation are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The proponent of the plan complies with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or promised by the proponent of the plan, by the debtor, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

5. a. The proponent of the plan has disclosed:

(1) the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and

(2) the appointment to, or continuance in, the office of the individual, is consistent with the interests of creditors and equity security holders and with public policy.

b. The proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for the insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or the rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

a. Each holder of a claim or interest of the class has

(1) accepted the plan; or

(2) will receive or retain under the plan on account of the claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that the holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on that date; or

b. If section 1111(b)(2) of the Bankruptcy Code applies to the claims of the class, the holder of the claim of the class will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the value of the holder's interest in the estate's interest in the property that secures the claim.

8. With respect to each class of claims or interests:

a. The class has accepted the plan; or

b. The class is not impaired under the plan.

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of the claim, the plan provides that:

a. With respect to a claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the plan, the holder of the claim will receive on account of the claim cash equal to the allowed amount of the claim;

b. With respect to a class of claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5), or 507(a)(6) of the Bankruptcy Code, each holder of a claim of the class will receive:

(1) if the class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of the claim; or

(2) if the class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of the claim; and

c. With respect to a claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the holder of a claim will receive on account of the claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

10. If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of the class.

11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

12. All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide the benefits.

The Debtors believe that the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11, and that the Plan is proposed in good faith.

The Debtors believe that holders of all Allowed Claims impaired under the Plan will receive payments under the Plan having a present value as of the Effective Date not less than the amounts they would likely receive if the Debtors were liquidated in a case under chapter 7 of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether holders of Allowed Claims would receive greater distributions under the Plan than they would have received in a liquidation under chapter 7 of the Bankruptcy Code.

1. Acceptance

Claims in Classes 1 and 2 are unimpaired by the Plan, and the holders thereof are conclusively presumed to have accepted the Plan.

Claims in Classes 3 through 180, 183 and 185 through 364 are impaired under, and the holders of such Claims are entitled to vote on the Plan and, therefore, must accept the Plan in order for it to be confirmed without application of the "*fair and equitable test*" described below, to such Classes. A Class of Claims is deemed to have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

Claims in Class 184 are held by the Debtors who are the proponents of the Plan. The Debtors are presumed to have accepted the Plan.

Claims and Equity Interests in Classes 181, 182, and 365 through 375 are impaired; however, holders of such Claims or Interests will not receive or retain property under the Plan and, therefore, such classes are deemed not to have accepted the Plan. Accordingly, confirmation of the Plan will require application of the "*fair and equitable test*" described below to such Classes.

2. "Cramdown" under the Fair and Equitable Test

The Debtors will seek to confirm the Plan notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any impaired Class of Claims or Equity Interests. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such dissenting impaired Classes. A plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its claims or equity interests. The Debtors believe that the Plan satisfies this requirement.

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims and equity interests, and a "cramdown" of the Plan, as follows:

a. Secured Claims. Either the plan must provide (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such holders of the indubitable equivalent of such claims.

b. Unsecured Claims. Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

c. Equity Interests. Either (i) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (x) the fixed liquidation preference or redemption price, if any, of such stock or (y) the value of the stock, or (ii) the holders of interests that are junior to the stock will not receive any property under the plan.

d. "*Cramdown*" of the Plan. Classes 181, 182, and 366 through 375 are deemed to reject the Plan. Notwithstanding the deemed rejection of such classes, the Bankruptcy Court may still confirm the Plan if, as to each impaired class that has not accepted the Plan, the Plan does not discriminate unfairly and is fair and equitable. In the event that one or more classes of impaired Claims rejects the Plan, the Bankruptcy Court will determine at the

Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired class of Claims.

THE DEBTORS BELIEVE THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS SO LONG AS AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN. ACCORDINGLY, THE DEBTORS WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.

3. Feasibility

The Bankruptcy Code permits a chapter 11 plan to be confirmed if it is not likely to be followed by liquidation or the need for further financial reorganization, other than as provided in the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. The Debtors believe that they will be able to make all payments required pursuant to the Plan and that the confirmation of the Plan is not likely to be followed by additional liquidation or the need for further reorganization.

4. "Best Interests" Test

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each such holder either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the holders of Allowed Claims and Allowed Equity Interests in each impaired Class would receive from the liquidation of the Debtors' assets and properties in the context of chapter 7 liquidation cases. Refer to Section XVI.C., "Liquidation Under Chapter 7" for further information.

To determine if the Plan is in the best interests of each impaired Class, the value of the distributions from the proceeds of the liquidation of the Debtors' assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such Classes of Claims and Equity Interests under the Plan.

In applying the "*best interests*" test, it is possible that the Claims and Equity Interests in chapter 7 cases may not be classified according to the seniority of such Claims and Equity Interests, but instead be subjected to contractual or equitable subordination.

C. Objections To Confirmation Of The Plan

The Bankruptcy Court has ordered that all objections to confirmation of the Plan must be filed with the Bankruptcy Court and served by [__:__ _.m. New York City Time] on [_________, 2003]. Objections must be written in the English language, must specifically detail the reasons for the objection to confirmation of the Plan, and must be served on the following:

Enron Corp.
1400 Smith Street
Houston, Texas 77002
Attention: General Counsel

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attention: Martin J. Bienenstock, Esq.
Brian S. Rosen, Esq.

Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, New York 10005
Attention: Luc A. Despins, Esq.
Susheel Kirpalani, Esq.

The Office of the United States Trustee
33 Whitehall Street, 21st Floor
New York, New York 10004
Attention: Mary Elizabeth Tom, Esq.

Davis, Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: Donald S. Bernstein, Esq.

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
Attention: Fredric Sosnick, Esq.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION OF THE PLAN IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

XX. Conclusion

All holders of Claims against the Debtors are urged to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received by ____________________, 2003.

Dated: September 18, 2003
Houston, Texas

Respectfully submitted,

ENRON CORP., et al.,
Debtors in Possession

By: /s/ Stephen F. Cooper
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New York, New York 10153
(212) 310-8000

NOTE: Due to the voluminous nature of the appendices and exhibits to the Disclosure Statement, such attachments have not been included. The Disclosure Statement, with all appendices and exhibits, has been separately filed with the Court and can be accessed electronically via the Internet at http://www.nysb.uscourts.gov, http://www.elaw4enron.com, and http://www.enron.com/corp/por.

EXHIBIT B

FORM OF CONFIRMATION HEARING NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

NOTICE OF (I) APPROVAL OF DISCLOSURE STATEMENT; (II) ESTABLISHMENT OF RECORD DATE; (III) HEARING ON CONFIRMATION OF THE AMENDED PLAN AND PROCEDURES FOR OBJECTING TO CONFIRMATION OF THE AMENDED PLAN; AND (IV) PROCEDURES AND DEADLINE FOR VOTING ON THE AMENDED PLAN

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST AND EQUITY INTERESTS IN THE ABOVE-CAPTIONED DEBTORS AND DEBTORS IN POSSESSION:

PLEASE TAKE NOTICE THAT:

1. **Approval of Disclosure Statement**. By order dated [_______ __], 2003 (the "Order"), the United States Court for the Southern District of New York (the "Court") approved the Disclosure Statement Pursuant to Chapter 11 of the United States Bankruptcy Code for the Debtors' Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of title 11 of the United States Code (as may be amended, the "Bankruptcy Code"), dated September 18, 2003 (the "Disclosure Statement") filed by Enron Corp. ("Enron") and its affiliated debtor entities, as debtors and debtors in possession (collectively, the "Debtors"), and directed the Debtors to solicit votes with regard to the approval or rejection of the Debtors' Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003, attached as Exhibit 1 to the Disclosure Statement (as may be amended, the "Plan").

2. **Confirmation Hearing**. A hearing (the "Confirmation Hearing") to consider the confirmation of the Plan will be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, in Room 523 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, on **January 26, 2004, at 10:00 a.m.** (New York City Time). The Confirmation Hearing may be continued from time to time without further notice other than the announcement by the Debtors in open court of the adjourned date(s) at the Confirmation Hearing or any continued hearing, and the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing in accordance with the terms of the Plan, without further notice to interested parties.

3. **Record Date for Voting Purposes**. The following creditors who hold claims on October 20, 2003 (the "Record Date") are entitled to vote on the Plan:

   (a) subject to sub-sections (c) and (d) below, record holders of scheduled claims, as of the Record Date, to the extent that such claims (i) are listed in the Debtors' Schedules in an amount greater than zero and are not identified as contingent, unliquidated or disputed, (ii) have not been superseded by a filed claim, and (iii) entitle the holder thereof to vote on the Plan;

   (b) subject to subsections (c) and (d) below, record holders of filed claims, as of the Record Date, to the extent that such claims (i) are the subject of filed proofs of claim, (ii) have not been disallowed, expunged, disqualified or suspended prior to the Record Date, (iii) are not the subject of a pending objection as of the date set forth in the Temporary Allowance Procedures Order, and (iv) entitle the holders thereof to vote on the Plan;

   (c) with respect to debt securities, the record holders of claims, as of the Record Date, to the extent that (i) such record holders are reflected in the records of The Depository Trust Company or the respective trustee or Indenture Trustee for the debt securities, and (ii) the holders of such debt security claims are entitled to vote on the Plan; and

   (d) with respect to syndicated bank debt or other similarly situated creditor groups, the participating banks, as provided by the agent bank or other similarly situated agent as of the Record Date, or, if requested by the agent bank, to the agent bank to forward to the participating banks, to the extent that the holders of the applicable syndicated bank debt or other similarly situated debt are entitled to vote on the Plan.

4. **Voting Deadline**. All votes to accept or reject the Plan must be received by 4:00 p.m. (New York City Time) on January 9, 2004. Any failure to follow the voting instructions on the ballots (the "Ballots") that will be included in the Solicitation Packages may disqualify your Ballot and your vote.

5. **Parties in Interest Not Entitled to Vote**. Holders of unimpaired claims and holders of claims or interests who expected to receive no distribution under the Plan are not entitled to vote on the Plan. Such holders will receive a Notice of Non-Voting Status, rather than a ballot and solicitation package.

6. **Objections to Confirmation**. Objections, if any, to the confirmation of the Plan must (i) be in writing; (ii) be in the English language; (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (iv) state with particularity the basis and nature of any objection to the Plan; and (v) be filed, together with proof of service, with the Bankruptcy Court and served so that they are received by the parties identified in the Confirmation Hearing Notice, no later than January 9, 2004 at 4:00 p.m. (New York City Time) by (1) the Debtors, 1400 Smith Street, Houston, Texas 77002-7361, Attention: General Counsel; (2) Weil, Gotshal &

Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attention: Martin J. Bienenstock, Esq. and Brian S. Rosen, Esq. (Facsimile: 212-310-8007), counsel to the Debtors; (3) Togut, Segal & Segal LLP, One Penn Plaza, New York, New York 10119, Attention: Albert Togut, Esq. (Facsimile: 212-967-4258), co-counsel to the Debtors; (4) Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, New York 10005, Attention: Luc A. Despins, Esq. (Facsimile: 212-530-5219), counsel to the Creditors' Committee; (5) Squire, Sanders & Dempsey, L.L.P., 312 Walnut Street, Suite 3500, Cincinnati, OH 45202, Attention: Stephen D. Lerner, Esq. (Facsimile: 513-361-1201), co-counsel to the Creditors' Committee; (6) Kronish Lieb Wiener & Hellman L.L.P., 1114 Avenue of the Americas, New York, New York 10036-7798, Attention: James A. Beldner, Esq. (Facsimile: 212-479-6275), counsel to the Employee Related Issues Committee; (7) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attention: Mary Elizabeth Tom, Esq.; (8) Davis, Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attention: Donald S. Bernstein, Esq. (Facsimile: 212-450-3800), counsel to JP Morgan Chase Bank, as Agent; and (9) Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, Attention: Fredric Sosnick, Esq. (Facsimile: 212-848-7179), counsel to Citicorp, as Agent. The Debtors and the attorneys for the Official Committee of Unsecured Creditors may serve replies to such objections and proposed modifications by no later than January 9, 2004.

8. **Executory Contracts and Unexpired Leases.** Not later than ten (10) days prior to the commencement of the Confirmation Hearing, the Debtors shall file an assumption schedule with the Court setting forth the list of executory contracts and unexpired leases to be assumed by the Debtors pursuant to the Plan as of the effective date of the Plan, and such executory contracts and unexpired leases shall be deemed assumed as of the effective date of the Plan. The Debtors may, at any time during the period from the confirmation date of the Plan up to and including the effective date of the Plan, amend the assumption schedule to delete any executory contracts or unexpired leases therefrom. In the event that the Debtors determine to amend the assumption schedule, (1) the Debtors shall file a notice (a "Rejection Notice") of any such amendment with the Court and serve such Rejection Notice on any affected party and (2) any executory contract or unexpired lease deleted from the assumption schedule shall be deemed rejected as of the date of such Rejection Notice. Any monetary amounts required as cure payments on each executory contract and unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in cash on the effective date of the Plan or upon such other terms and dates as the parties to such executory contracts or unexpired leases otherwise may agree. In the event of a dispute regarding (a) the amount of any cure payment, (b) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption arises, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be subject to the jurisdiction of the Court and made following the existence of a final order resolving such dispute.

9. **Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases.** All executory contracts and unexpired leases included on the assumption

schedule will be assumed as of the effective date of the Plan. Any executory contracts or unexpired leases not set forth on the Assumption Schedule that have not expired by their own terms on or prior to the confirmation date of the Plan, which have not been assumed and assigned or rejected with the approval of the Court, or which are not the subject of a motion to assume the same pending as of the confirmation date of the Plan shall be deemed rejected by the Debtors on the confirmation date and the entry of the order confirming the Plan the Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Notwithstanding anything contained in the Plan to the contrary, all trading contracts between or among two or more Debtors, and no non-Debtor entities, shall be deemed for all purposes to have been rejected and otherwise terminated as of the initial petition date of the Plan and the values and damages attributable thereto shall be calculated as of the initial petition date of the Plan.

10. **Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan.** Except with regard to executory contracts governed in accordance with the provisions of Section 31.3 of the Plan, if the rejection of an executory contract or unexpired lease by the Debtors under the Plan results in damages to the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors, or its properties or agents, successors, or assigns, unless a proof of claim is filed with the Court and served upon attorneys for the Debtors on or before thirty (30) days after the latest to occur of (a) the confirmation date of the Plan, (b) the date of entry of an order by the Court authorizing rejection of a particular executory contract or unexpired lease and (c) the date of the Rejection Notice with respect to a particular executory contract or unexpired lease.

11. **Additional Information.** Any party in interest wishing to obtain (i) information about the solicitation procedures or (ii) copies of the Plan or Disclosure Statement, should telephone the Debtors' solicitation agent, Innisfree M&A Incorporated at (877) 825-8906 (Toll Free). Any party in interest wishing to view the Plan and Disclosure Statement may view such documents by accessing the Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Court, or by accessing either the website www.elaw4enron.com or www.enron.com/corp/por.

The Plan contains an injunction which prevents, among other things, any holder of any claim or equity interest or any other party in interest in the Debtors' chapter 11 cases from directly or indirectly commencing or continuing, in any manner, any action or other proceeding of any kind against the Debtors, or the Reorganized Debtors, enforcing judgments relating to such claims or interests, asserting rights of setoff, recoupment or subrogation, or interfering in any way with the Plan or any schemes of arrangement thereunder. In addition, except as provided in the Plan, the Debtors and Reorganized Debtors will not have any liability for any claim or equity interest in the Debtors that are cancelled or terminated under the Plan or which arose prior to the effective date of the Plan.

Dated: New York, New York
__________, 2003

EXHIBIT C

FORMS OF BALLOTS FOR GENERAL UNSECURED CLAIMS AND CONVENIENCE CLAIMS

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING GENERAL UNSECURED CLAIMS

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of unpaid General Unsecured Claim(s) against the Debtor listed in Item 5 of this Ballot that arose prior to the commencement of such Debtor's chapter 11 case (the "Petition Date"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Plan and Disclosure Statement, you may obtain a CD-ROM by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 5 of this Ballot indicates (1) the class related to your General Unsecured Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your Ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended by the Debtor, your vote will not count as either an acceptance or rejection of the Plan and any election you have made in Item 3, below, for convenience claim treatment of your claim(s) will not be counted.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan and/or to elect convenience claim treatment of your claim(s).

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

IF DESIRED, COMPLETE ITEM 3.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 4.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF ALL GENERAL UNSECURED CLAIMS COVERED BY THIS BALLOT EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. **Amount of Claims Voted.** You are entitled to vote the claim(s) set forth in Item 5. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. **Vote.** The holder of the General Unsecured Claim(s) identified in Item 5 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. **Voluntary Election of Convenience Claim Treatment.** By checking the box below, the holder of the General Unsecured Claim(s) identified in Item 5 elects to reduce the amount of its Allowed Claim to $50,000 and to have its Allowed General Unsecured Claim(s) treated as Convenience Claim(s) under the Plan, receive the treatment specified in Article XIII of the Plan, and have its vote counted as a member of the applicable Convenience Class against the Debtor set forth in Item 5. If the box below is **not** checked, such holder's Allowed General Unsecured Claim(s) will receive the treatment specified in Article VII of the Plan:

☐ I Elect Convenience Claim Treatment.

NEITHER YOUR RECEIPT OF THIS BALLOT NOR YOUR ELECTION OF CONVENIENCE CLAIM TREATMENT SIGNIFIES THAT YOUR CLAIM(S) HAS BEEN OR WILL BE ALLOWED.

Item 4. Certification. By returning this Ballot, the holder, or an authorized signatory for such holder, of the General Unsecured Claim(s) identified in Item 5 certifies that: (a) this Ballot is the only Ballot submitted for its General Unsecured Claim(s) identified in Item 5; (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the General Unsecured Claim(s) identified in Item 5; (c) it was the holder of the General Unsecured Claim(s) identified in Item 5 as of October 20, 2003; and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan and the election of convenience claim treatment under the Plan are subject to all the terms and conditions set forth in the Disclosure Statement and Plan.

Name of Creditor :______________________________
(Print or Type)

Social Security or Federal Tax ID. No.:______________
(Optional)

Signature:____________________________________

Print Name:__________________________________

Title:_______________________________________
(If Appropriate)

Street Address: _______________________________

City, State, Zip Code:___________________________

Telephone Number (____)_______________________

Date Completed:______________________________

[INSERT FROM INNISFREE—ITEM 5]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR A CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING GENERAL UNSECURED CLAIMS
(General Unsecured Claims Against Enron North America and certain of its subsidiaries)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of unpaid General Unsecured Claim(s) against the Debtor listed in Item 6 of this Ballot that arose prior to the commencement of such Debtor's chapter 11 case (the "Petition Date"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Plan and Disclosure Statement, you may obtain a CD-ROM by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 6 of this Ballot indicates (1) the class related to your General Unsecured Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your Ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended by the Debtor, your vote will not count as either an acceptance or rejection of the Plan and any election you have made in Item 3, below, for convenience claim treatment of your claim(s) will not be counted.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan and/or to elect convenience claim treatment of your claim(s).

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

IF DESIRED, COMPLETE ITEM 3 OR ITEM 4.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 5.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF ALL GENERAL UNSECURED CLAIMS COVERED BY THIS BALLOT EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. Amount of Claims Voted. You are entitled to vote the claim(s) set forth in Item 6. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. Vote. The holder of the General Unsecured Claim(s) identified in Item 6 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

YOU MAY MAKE EITHER THE ELECTION IN ITEM 3 OR THE ELECTION IN ITEM 4, BUT ARE NOT REQUIRED TO MAKE ANY ELECTION. YOUR CLAIM WILL BE TREATED IN ACCORDANCE WITH SECTION 7.1 OF THE PLAN IF YOU DO NOT ELECT ITEM 3 OR ITEM 4 BELOW.

Item 3. Voluntary Election of Convenience Claim Treatment. By checking the box below, the holder of the General Unsecured Claim(s) identified in Item 6 elects to reduce the amount of its Allowed Claim to $50,000 and to have its Allowed General Unsecured Claim(s) indicated in Item 6 treated as Convenience Claim(s) under the Plan, receive the treatment specified in Article XIII of the Plan, and have its vote counted as a member of the applicable Convenience Class against the Debtor set forth in Item 6. If the box below is not checked, such holder's Allowed General Unsecured Claim(s) indicated in Item 6 will receive the treatment specified in Article VII of the Plan:

☐ I Elect Convenience Claim Treatment

OR

Item 4. Voluntary Election to Receive Additional Cash Distributions In Lieu of Partial Plan Securities. By checking the box below, the holder of the General Unsecured Claim(s) identified in Item 6 elects to receive in accordance with section 7.3 of the Plan its Pro Rata Share of One Hundred Twenty Five Million Dollars ($125,000,000) in lieu of all or a portion of the Plan Securities to which such holder is otherwise entitled to receive on account of its Allowed General Unsecured Claim(s) indicated above.

☐ I Elect Additional Cash Distribution In Lieu of Partial Plan Securities.

NEITHER YOUR RECEIPT OF THIS BALLOT NOR YOUR ELECTION IN ITEM 3 OR ITEM 4 SIGNIFIES THAT YOUR CLAIM(S) HAS BEEN OR WILL BE ALLOWED

Item 5. Certification. By returning this Ballot, the holder, or the authorized representative of such holder, of the General Unsecured Claim(s) identified in Item 6 certifies that: (a) this Ballot is the only Ballot submitted for its General Unsecured Claim(s) as identified in Item 6; (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the General Unsecured Claim(s) identified in Item 6; (c) it was the holder of the General Unsecured Claim(s) identified in Item 6 as of October 20, 2003; and (d) it has received a CD-ROM containing the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan, the election of convenience claim treatment under the Plan and the election to receive an additional Cash distribution in lieu of partial Plan Securities are subject to all the terms and conditions set forth in the Disclosure Statement and Plan.

Name of Creditor :______________________________
(Print or Type)

Social Security or Federal Tax ID. No.:_______________
(Optional)

Signature:___________________________________

Print Name:__________________________________

Title:______________________________________
(If Appropriate)

Street Address: ________________________________

City, State, Zip Code:____________________________

Telephone Number (___)________________________

Date Completed:________________________________

[INSERT FROM INNISFREE—ITEM 6]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
ENRON CORP., et al.,	:	Case No. 01-16034 (AJG)
	:	Jointly Administered
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING CONVENIENCE CLAIMS

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of General Unsecured Claim(s) against any of the Debtors that arose prior to the commencement of the respective Debtor's chapter 11 case (the "Petition Date") and which aggregate fifty thousand dollars ($50,000) or less in unpaid principal amount ("Convenience Claims"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Disclosure Statement you may obtain a such items by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 5 of this Ballot indicates (1) the class related to your General Unsecured Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):
COMPLETE ITEM 2.
IF DESIRED, COMPLETE ITEM 3.
REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 4.
SIGN THE BALLOT.
RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).
YOU MUST VOTE THE FULL AMOUNT OF ALL CONVENIENCE CLAIMS AGAINST THE DEBTORS EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. Amount of Convenience Claims Voted. You are entitled to vote the claim(s) set forth in Item 5. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. Vote. The holder of the Convenience Claim(s) identified in Item 5 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. Voluntary Election Out of Convenience Claim Treatment. By checking the box below, the holder of the Convenience Claim(s) identified in Item 5 elects to have its Convenience Claim(s) treated as General Unsecured Claim(s), Enron Guaranty Claims or Wind Guaranty Claims, as the case may be, against the Debtor indicated below, receive the treatment specified in Article VII, Article X or Article XI, as applicable, of the Plan, and have its vote counted as a member of the applicable Class against the Debtor set forth in Item 5. If the box below is not checked, such holder's Convenience Claim(s) will receive the treatment specified in Article XIII of the Plan.

☐ I Elect to Opt-Out of Convenience Claim Treatment.

NEITHER YOUR RECEIPT OF THIS BALLOT NOR YOUR ELECTION TO OPT-OUT OF CONVENIENCE CLAIM TREATMENT SIGNIFIES THAT YOUR CLAIM(S) HAS BEEN OR WILL BE ALLOWED.

Item 4. **Certification**. By returning this Ballot, the holder, or an authorized representative of such holder, of the Convenience Claim(s) identified in Item 5 certifies that (a) this Ballot is the only Ballot submitted for Convenience Claim(s), (b) it has full power and authority to vote to accept or reject the Plan with respect to the Convenience Claim(s) identified in Item 5, (c) it was the holder of the Convenience Claim(s) identified in Item 5 as of October 20, 2003, and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor :______________________________
(Print or Type)

Social Security or Federal Tax ID. No.:________________
(Optional)

Signature:____________________________________

Print Name:__________________________________

Title:______________________________________
(If Appropriate)

Street Address: ________________________________

City, State, Zip Code:____________________________

Telephone Number (___)_________________________

Date Completed:_______________________________

[INSERT FROM INNISFREE—ITEM 5]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P. M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	x	
	:	
In re	:	Chapter 11
	:	
ENRON CORP., et al.,	:	Case No. 01-16034 (AJG)
	:	
	:	Jointly Administered
Debtors.	:	
--	x	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING CONVENIENCE CLAIMS
(Convenience Claims Against ENA and certain of its subsidiaries)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of General Unsecured Claim(s) against any of the Debtors that arose prior to the commencement of the respective Debtor's chapter 11 case (the "Petition Date") and which aggregate fifty thousand dollars ($50,000) or less in unpaid principal amount ("Convenience Claims"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Disclosure Statement you may obtain a such items by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 5 of this Ballot indicates (1) the class related to your General Unsecured Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

IF DESIRED, COMPLETE ITEM 3(a) **OR** ITEM 3(b)

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 4.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF ALL CONVENIENCE CLAIMS AGAINST THE DEBTORS EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. **Amount of Convenience Claims Voted**. You are entitled to vote the claim(s) set forth in Item 5. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. **Vote**. The holder of the Convenience Claim(s) identified in Item 5 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. **OR** ☐ to **REJECT** the Plan.

YOU MAY MAKE EITHER THE ELECTION IN ITEM 3(a) OR THE ELECTION IN ITEM 3(b), IF DESIRED.

Item 3(a). **Voluntary Election Out of Convenience Claim Treatment**. By checking the box below, the holder of the Convenience Claim(s) identified in Item 5 elects to have its Convenience Claim(s) treated as General Unsecured Claim(s) against the Debtor indicated below, receive the treatment specified in Article VII of the Plan, and have its vote counted as a member of the applicable General Unsecured Class against the Debtor set forth in Item 5. If the box below is not checked, such holder's Convenience Claim(s) will receive the treatment specified in Article XIII of the Plan.

☐ I Elect to Opt-Out of Convenience Claim Treatment.

OR

Item 3(b). **Voluntary Election to Receive Additional Cash Distributions In Lieu of Partial Plan Securities**. By checking the box below, the holder of the General Unsecured Claim(s) identified in Item 5 elects to receive in accordance with section 7.3 of the Plan its Pro Rata Share of One Hundred Twenty Five Million Dollars ($125,000,000) in lieu of all or a portion of the Plan Securities to which such holder is otherwise entitled to receive on account of its Allowed General Unsecured Claim(s) indicated above.

☐ I elect Additional Cash Distribution In Lieu of Partial Plan Securities.

NEITHER YOUR RECEIPT OF THIS BALLOT NOR YOUR ELECTION IN ITEM 3(a) OR ITEM 3(b) SIGNIFIES THAT YOUR CLAIM(S) HAS BEEN OR WILL BE ALLOWED

Item 4. **Certification**. By returning this Ballot, the holder, or an authorized representative of such holder, of the Convenience Claim(s) identified in Item 5 certifies that (a) this Ballot is the only Ballot submitted for Convenience Claim(s) , (b) it has full power and authority to vote to accept or reject the Plan with respect to the Convenience Claim(s) identified in Item 5, (c) it was the holder of the Convenience Claim(s) identified in Item 5 as of October 20, 2003, and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor :______________________________
(Print or Type)

Social Security or Federal Tax ID. No.:______________
(Optional)

Signature:___________________________________

Print Name:__________________________________

Title:_______________________________________
(If Appropriate)

Street Address: ________________________________

City, State, Zip Code:____________________________

Telephone Number (___)________________________

Date Completed:_______________________________

[INSERT FROM INNISFREE—ITEM 5]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P. M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING GUARANTY CLAIMS

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of guaranty claims against the Debtor listed in Item 4 which arose prior to December 2, 2001 (the "Petition Date") and which arise from or relate to an agreement, in writing, by such Debtor to satisfy the obligations of another Debtor (the "Guaranty Claims"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Disclosure Statement, you may obtain such items by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 4 of this Ballot indicates (1) the class related to your Guaranty Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P.M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended by the Debtor, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 3.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF YOUR GUARANTY CLAIMS EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. Amount of Claims Voted You are entitled to vote the claim(s) set forth in Item 4. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. Vote. The holder of the Guaranty Claim(s) identified in Item 4 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. Certification. By returning this Ballot, the holder, or authorized representative of such holder, of the Guaranty Claims identified in Item 4 certifies that: (a) this Ballot is the only Ballot submitted for its Guaranty Claims identified in Item 4; (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the Guaranty Claim(s) identified in Item 4; (c) it was the holder of the Guaranty Claim(s) identified in Item 4 as of October 20, 2003; and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement and Plan.

Name of Creditor :______________________________

(Print or Type)

Social Security or Federal Tax ID. No.:_______________

(Optional)

Signature:______________________________________

Print Name:_____________________________________

Title:____

(If Appropriate)

Street Address: __________________________________

City, State, Zip Code:______________________________

Telephone Number (____)_________________________

Date Completed:_________________________________

[INSERT FROM INNISFREE—ITEM 4]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING CLASS 4 ENRON CORP. GENERAL UNSECURED CLAIMS (Credit Facilities Claims)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. All of your claim(s) have been placed in Class 4 under the Plan. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P.M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended by the Debtor, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

COMPLETE ITEM 3, IF APPLICABLE.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 3.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIMS *EITHER* TO ACCEPT *OR* TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. **Amount of Claims Voted.** You are entitled to vote the claim(s) set forth in Item 5. The undersigned certifies that as of October 20, 2003, the undersigned was either the beneficial owner, or the nominee of the beneficial owner, of the claims set forth in Item 5. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. Vote. The holder of the claim(s) identified in Item 5 votes as follows (check one box only—if you do not check a box your vote will be counted as an acceptance; if you check both boxes your vote will be counted as an acceptance):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. Identify All Other Class 4 Claims Voted. By returning this Ballot, the holder of the claim(s) identified in Item 5 certifies that (a) this Ballot is the only Ballot submitted in Class 4, except for the claim(s) identified in the following table, (b) *all* of the claim(s) identified in Item 3 for which the holder has submitted Ballots are identified in the following table, and (c) *all* Ballots for claim(s) identified in Item 3 submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary):

	ALL CLAIMS ON OTHER BALLOTS		
Account Number (if applicable)	**Name of Registered Holder, Nominee, or Credit Facility**	**Amount of Claims Voted**	**Type of Other Class 4 Claim Voted**
		$	
		$	
		$	

Item 4. Certification. By returning this Ballot, the beneficial owner, or authorized representative, of the claim(s) identified in Item 5 certifies that (a) it has full power and authority to vote to accept or reject the Plan with respect to the claim(s) in Item 5, (b) it was the beneficial owner of the claim(s) identified in Item 5 on October 20, 2003, (c) *all* Ballots to vote claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated on this Ballot, and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that

the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor :__________________________________
(Print or Type)

Social Security or Federal Tax ID. No.:________________
(Optional)

Signature:_______________________________________

Print Name:______________________________________

Title:____
(If Appropriate)

Street Address: ____________________________________

City, State, Zip Code:_______________________________

Telephone Number (____)____________________________

Date Completed:___________________________________

[INSERT FROM INNISFREE—ITEM 5]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P. M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

EXHIBIT D

FORM OF BALLOTS FOR MULTIPLE-TIERED VOTING

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING CLASS 4 ENRON CORP. GENERAL UNSECURED CLAIMS
(Claims of Beneficial Holders of Securities)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

There are approximately 31 Enron Securities in Class 4. This ballot is to be used by beneficial owners of the Class 4 security listed at the bottom of the page (the "Class 4 Security") to vote to accept or reject the Plan.

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. All of your claim(s) have been placed in Class 4 under the Plan. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P.M. NEW YORK CITY TIME ON JANUARY 9, 2004.

Your vote must be forwarded in ample time for your vote to be received by the Solicitation Agent, Innisfree, by 4:00 p.m., New York City Time, on January 9, 2004, or your vote will not be counted. If the enclosed envelope is addressed to your nominee, make sure your nominee receives your Ballot in time to submit it before the Voting Deadline. A Ballot not submitted to a nominee will not be counted unless and until the nominee properly completes and timely delivers a corresponding master ballot to the Solicitation Agent.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

[LETTER NUMBER CODE]

[SECURITY DESCRIPTION]
CUSIP [_______]

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

HOW TO VOTE:
COMPLETE ITEM 1 (IF NOT ALREADY COMPLETED BY YOUR NOMINEE) AND ITEM 2. COMPLETE ITEM 3, IF APPLICABLE. REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 4. **SIGN THE BALLOT** (UNLESS YOUR BALLOT HAS BEEN SIGNED OR "PREVALIDATED" BY YOUR NOMINEE). RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (IF THE ENCLOSED ENVELOPE IS ADDRESSED TO YOUR NOMINEE, MAKE SURE YOUR NOMINEE RECEIVES YOUR BALLOT IN TIME TO SUBMIT IT BEFORE THE VOTING DEADLINE). YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIMS *EITHER* TO ACCEPT *OR* TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. Amount of Class 4 Security Claims Voted. The undersigned certifies that as of October 20, 2003, the undersigned was either the beneficial owner, or the nominee of the beneficial owner, of the Class 4 Security in the following aggregate unpaid principal amount [insert amount in the box below]. If your Class 4 Security is held by a nominee on your behalf and you do not know the amount, please contact your nominee immediately. [For purposes of this Ballot, it is not necessary and you should not adjust the principal amount for any accrued or unmatured interest.]

Item 2. Vote. The holder of the claim(s) identified in Item 5 votes as follows (check one box only—if you do not check a box your vote will be counted as an acceptance; if you check both boxes your vote will be counted as an acceptance):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. Identify All Other Class 4 Claims Voted. By returning this Ballot, the beneficial owner of the claim(s) identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted Class 4, except for the claim(s) identified in the following table, (b) *all* of the claim(s) identified in Item 3 for which the beneficial owner has submitted Ballots are identified in the following table, and (c) *all* Ballots for claim(s) identified in Item 3 submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary):

ALL CLASS 4 SECURITY CLAIMS VOTED ON OTHER BALLOTS

Account Number	**Name of Registered Holder or Nominee**	**Principal Amount of Claims Voted**	**Type of Other Class 4 Security Voted [insert description or CUSIP]**
		$	
		$	
		$	

Item 4. Certification. By returning this Ballot, the beneficial owner, or authorized representative of such beneficial owner, of the Class 4 Security identified in Item 1 certifies that (a) it has full power and authority to vote to accept or reject the Plan with respect to the Class 4 Security identified in Item 1, (b) it was the beneficial owner of the Class 4 Security identified in Item 1 on October 20, 2003, (c) *all* Ballots to vote claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated on this Ballot, and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor :____________________________
(Print or Type)

Social Security or Federal Tax ID. No.:____________
(Optional)

Signature:____________________________

Print Name:____________________________

Title:____________________________
(If Appropriate)

Street Address: ____________________________

City, State, Zip Code:____________________________

Telephone Number (___)____________________________

Date Completed:____________________________

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BY 4:00 P. M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED. IF THE ENCLOSED ENVELOPE IS ADDRESSED TO YOUR NOMINEE, MAKE SURE YOUR NOMINEE RECEIVES YOUR BALLOT IN TIME TO SUBMIT IT BEFORE THE VOTING DEADLINE. A BALLOT SUBMITTED TO A NOMINEE WILL NOT BE COUNTED UNLESS AND UNTIL THE NOMINEE PROPERLY COMPLETES AND TIMELY DELIVERS A CORRESPONDING MASTER BALLOT TO THE SOLICITATION AGENT.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNIS FREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA

CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

MASTER BALLOT FOR ACCEPTING OR REJECTING DEBTORS' AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

MASTER BALLOT FOR VOTING CLASS 4 ENRON CORP. GENERAL UNSECURED CLAIMS

(Claims of Holders of Class 4 Securities)

THE **VOTING DEADLINE** BY WHICH YOUR MASTER BALLOT MUST BE ***RECEIVED*** BY THE SOLICITATION AGENT, INNISFREE M&A INCORPORATED ("INNISFREE"), IS 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004 OR THE VOTES REPRESENTED BY YOUR BALLOT WILL NOT BE COUNTED.

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"). The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

There are approximately 31 Enron securities in Class 4 (each a "Class 4 Security" and collectively the "Class 4 Securities"). This Master Ballot is to be used by you, as a broker, bank, or other nominee (or as their proxy holder or agent) (each of the foregoing, a "Nominee"), for Beneficial Holders, as of October 20, 2003, of the Class 4 Security listed at the bottom of the page. Before you transmit such votes, please carefully review the Disclosure Statement and the voting procedures set forth below. **THIS MASTER BALLOT RELATES ONLY TO VOTES CAST FOR CLASS 4 SECURITIES. Beneficial Holders of Class 4 Securities who also hold claims under other securities or credit facilities should receive separate Ballots for voting their claims.**

[SECURITY DESCRIPTION]
CUSIP [_______]

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to transmit votes to accept or reject the Plan.

PLEASE READ AND FOLLOW THE ATTACHED INSTRUCTIONS CAREFULLY. COMPLETE, SIGN, AND DATE THIS MASTER BALLOT, AND RETURN IT SO THAT IT IS RECEIVED BY THE SOLICITATION AGENT (INNISFREE) BEFORE THE VOTING DEADLINE OF 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004. IF THIS MASTER BALLOT IS NOT COMPLETED, SIGNED, AND RECEIVED ON OR BEFORE THE VOTING DEADLINE AND THE VOTING DEADLINE IS NOT EXTENDED, THE VOTES TRANSMITTED BY THIS MASTER BALLOT WILL NOT BE COUNTED.

You should review the Disclosure Statement and the Plan before you transmit votes. You or the Beneficial Holders of Class 4 Securities for whom you are the Nominee may wish to seek legal advice concerning the Plan and the classification and treatment of the Class 4 Security claims under the Plan. Such claims have been placed in Class 4 under the Plan. Holders of more than one claim against the Debtors will receive a Ballot for each claim such holders are entitled to vote, and the Nominees of such holders will receive a Master Ballot for each claim such holders are entitled to vote.

If the Plan is confirmed by the Bankruptcy Court, it will be binding upon you and the Beneficial Holders of Class 4 Securities for whom you are the Nominee, whether or not such holders vote to accept the Plan and whether or not any votes to accept or reject the Plan are transmitted by this Master Ballot.

Item 1. **Certification of Authority to Vote**. The undersigned certifies that as of the October 20, 2003 record date, the undersigned (please check the applicable box):

☐ Is a broker, bank, or other nominee for the Beneficial Holders of the aggregate principal amount of the Class 4 Security listed in Item 2 below, and is the registered holder of such securities, or

☐ Is acting under a power of attorney and/or agency (a copy of which will be provided upon request) granted by a broker, bank, or other nominee that is the registered holder of the aggregate principal amount of the Class 4 Security listed in Item 2 below, or

☐ Has been granted a proxy (an original of which is attached hereto) from a broker, bank, or other nominee or a Beneficial Holder that is the registered holder of the aggregate principal amount of the Class 4 Security listed in Item 2 below,

and accordingly, has full power and authority to vote to accept or reject the Plan on behalf of the Beneficial Holders of the Class 4 Security described in Item 2 below.

Item 2. **Class 4 Enron Corp. General Unsecured Claims.** The undersigned transmits the following votes of Beneficial Holders in respect of their Class 4 Securities, and certifies that the following Beneficial Holders of the Class 4 Securities, as identified by their respective customer account numbers set forth below, are

Beneficial Holders of such securities as of the October 20, 2003 record date and have delivered to the undersigned, as Nominee, properly executed Ballots casting such votes. (Indicate in the appropriate column the aggregate principal amount voted for each account, or attach such information to this Master Ballot in the form of the following table. For purposes of this Master Ballot, accrued or unmatured interest should not be included. Please note: Each Beneficial Holder must vote all his, her, or its Class 4 Security *either* to accept *or* reject the Plan, and may *not* split such vote.):

ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

Your Customer Account Number for Each Beneficial Holder of Class 4 Security	**Principal Amount of Class 4 Security Voted to ACCEPT the Plan**		**Principal Amount of Class 4 Security Voted to REJECT the Plan**
1.	$	**OR**	$
2.	$	**OR**	$
3.	$	**OR**	$
4.	$	**OR**	$
5.	$	**OR**	$
6.	$	**OR**	$
7.	$	**OR**	$
8.	$	**OR**	$
9.	$	**OR**	$
10.	$	**OR**	$
TOTALS:	**$**		**$**

Item 3. **Certification As to Transcription of Information From Item 3 As to Other Class 4 Securities Claims Voted by Beneficial Holders**. The undersigned certifies that the undersigned has transcribed in the following table the information, if any, provided by Beneficial Holders in Item 3 of the Class 4 Ballots for Enron Corp. General Unsecured Claims, identifying any other Class 4 Securities for which such Beneficial Holders have submitted other Ballots:

YOUR customer account number for each Beneficial Holder who completed Item 3 of the Class 4 Ballot.	Other Class 4 Security Voted (Transcribe from Item 3 of Class 4 Ballot)			
	Account Number	Name of Registered Holder or Nominee	Principal Amount of Other Class 4 Security Voted	Type of Other Class 4 Securities Claim Voted
1.			$	
2.			$	
3.			$	
4.			$	
5.			$	
6.			$	
7.			$	
8.			$	
9.			$	
10.			$	

Item 4. **Certification.** By signing this Master Ballot. the undersigned certifies that each Beneficial Holder of Class 4 Security listed in Item 2, above, has been provided with a copy of the Disclosure Statement, including the exhibits thereto, and acknowledges that the solicitation of votes to accept or reject the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Broker, Bank, or Other Nominee:

____
(Print or Type)

Name of Proxy Holder or Agent for Broker, Bank, or Other Nominee (if applicable):

____
(Print or Type)

Social Security or Federal Tax I.D. No.:__________
(If Applicable)

Signature:______________________________

Print Name:_____________________________

Title:__________________________________
(If Appropriate)

Street Address:__________________________

City, State, Zip Code:____________________

Telephone Number: (   )__________________

Date Completed:_________________________

THIS MASTER BALLOT MUST BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE, BEFORE 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR THE VOTES TRANSMITTED HEREBY WILL NOT BE COUNTED.

ANY EXECUTED BALLOT RETURNED TO YOU THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE MASTER BALLOT, BALLOTS, DISCLOSURE STATEMENT, OR OTHER RELATED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (212) 750-5833.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
ENRON CORP., et al.,	:	Case No. 01-16034 (AJG)
	:	Jointly Administered
Debtors.	:	

BALLOT FOR VOTING FOR SECURITIES TRUST TO ACCEPT OR REJECT AMENDED JOINT CHAPTER 11 PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

BALLOT FOR VOTING TRUST SECURITY RELATED TO GENERAL UNSECURED CLAIMS
(Claims of Beneficial Holders of Trust Securities)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Amended Joint Chapter 11 Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

IMPORTANT

Your vote is being solicited by your Trustee in order to determine whether the Trustee should vote to accept or reject the Plan on behalf of the Securities Trust. Your vote pursuant to this Ballot does not count as a direct vote to accept or reject the Plan, nor does receipt of this Ballot entitle you to a claim against the Debtors rather your vote will only be used by the Trustee to determine whether the Securities Trust should accept or reject the Plan. The Trustee will tabulate the votes of all beneficial holders of Trust Securities to accept or reject the Plan, in accordance with the terms of the Securities Trust and the Trustee's fiduciary duties, and submit a Ballot on behalf of the Securities Trust to accept or reject the Plan.

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of the Securities Trust's claim(s) under the Plan. If you personally hold claims in any class under the Plan as a creditor of the Debtors, you will receive a separate Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

YOUR VOTE MUST BE ACTUALLY RECEIVED BY THE SOLICITATION AGENT BY NOON (NEW YORK CITY TIME) ON JANUARY 5, 2004 in order for your vote to be tabulated and forwarded to the Trustee in time for the Trustee to cast its Ballot on behalf of the entire Trust by the Voting Deadline of January 9, 2004.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on the Securities Trust whether or not

(i) you vote for the Securities Trust to accept the Plan or (ii) the Securities Trust votes to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to have the Securities Trust accept or reject the Plan.

HOW TO VOTE:

COMPLETE ITEM 1 AND ITEM 2, UNLESS ITEM 1 HAS ALREADY BEEN COMPLETED BY YOUR NOMINEE.

COMPLETE ITEM 3, IF APPLICABLE.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 4.

SIGN THE BALLOT.

RETURN THE BALLOT TO THE SOLICITATION AGENT IN THE ENVELOPE PROVIDED OR AT THE FOLLOWING ADDRESS: Innisfree M&A Incorporated, 501 Madison Avenue, 20th Floor, New York, NY 10022, Attn: Enron Ballot Team.

YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIMS FOR THE SECURITIES TRUST TO *EITHER* ACCEPT *OR* TO REJECT THE PLAN AND YOU MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED BY THE TRUSTEE TO DETERMINE HOW THE SECURITIES TRUST SHOULD VOTE ON THE PLAN.

Item 1. Amount of Trust Security Claims Voted. The undersigned certifies that as of October 20, 2003, the undersigned was either the beneficial owner, or the nominee of the beneficial owner, of the Trust Security in the following aggregate unpaid principal amount [insert amount in the box below]. If your Trust Security is held by a nominee on your behalf and you do not know the amount, please contact your nominee immediately. [For purposes of this Ballot, it is not necessary and you should not adjust the principal amount for any accrued or unmatured interest.]

Item 2. Vote. The holder of the Trust Security identified in Item 1 votes to have the Securities Trust accept or reject the Plan as follows:

☐ I vote for the Securities Trust to **ACCEPT** the Plan. OR

☐ I vote for the Securities Trust to **REJECT** the Plan.

Item 3. Identify All Other Trust Securities Claims Voted. By returning this Ballot, the beneficial owner of the claim(s) identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for Trust Securities, except for the claim(s) identified in the following table, (b) *all* of the claim(s) identified in Item 1 for which the beneficial owner has submitted Ballots are identified in the following table, and (c) *all* Ballots for claim(s) identified in Item 1 submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary):

ALL SECURITIES TRUST CLAIMS VOTED ON OTHER BALLOTS

Account Number	**Name of Registered Holder or Nominee**	**Principal Amount of Claims Voted**	**Type of Other Securities Trust Claim Voted [insert description or CUSIP]**
		$	
		$	
		$	

Item 4. Certification.

Prevalidation by bank, brokerage firm or other nominee: Complete details in Item 1, including account number, or affix label containing such information, and sign Item 4A below.

Beneficial holder is to complete the rest of this Ballot (Item 2; Item 3, if desired; and Item 4, if applicable), SIGN THE BALLOT in Item 4B below and return it to the Solicitation Agent by Noon (New York City Time) on January 5, 2004.

Item 4A. Signature of Nominee:

Name of Broker, Bank or other Nominee:

____
(Print or Type)

Name of Proxy Holder or Agent for Broker, Bank or other Nominee (if applicable):

____
(Print or Type)

Social Security or Federal Tax ID. No.:_______________
(Optional)

Signature:______________________________

Print Name:______________________________

Title:______________________________
(If Appropriate)

Street Address: ______________________________

City, State, Zip Code:______________________________

Telephone Number (___)______________________________

Date Completed:______________________________

Date Completed:________

Item 4B. Certification and Signature of Beneficial Holder:

By returning this Ballot, the beneficial owner, or authorized representative of such beneficial owner, of the Trust Security identified in Item 1 certifies that (a) it has full power and authority to vote for the Securities Trust to accept or reject the Plan with respect to the Trust Security identified in Item 1, (b) it was the beneficial owner of the Trust Security identified in Item 1 on October 20, 2003, (c) *all* Ballots to vote claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan and the same election with regard to additional Cash distributions in lieu of Plan Securities that the beneficial owner has indicated on this Ballot, and (d) it has received a CD-ROM containing a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Holder:____________________________________
(Print or Type)

Social Security or Federal Tax ID. No.:________________
(Optional)

Signature:____

Print Name:_______________________________________

Title:____
(If Appropriate)

Street Address: ____________________________________

City, State, Zip Code:_______________________________

Telephone Number (____)___________________________

Date Completed:____________________________________

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the Securities Trust's claim(s) related to the vote herein.

YOUR VOTE MUST BE ACTUALLY RECEIVED BY THE SOLICITATION AGENT BY NOON (NEW YORK CITY TIME) ON JANUARY 5, 2004 in order for your vote to be tabulated and forwarded to the Trustee in time for the Trustee to cast its Ballot on behalf of the entire Trust by the Voting Deadline of January 9, 2004.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

BALLOT FOR ACCEPTING OR REJECTING AMENDED JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

TRUSTEE BALLOT FOR VOTING GENERAL UNSECURED CLAIMS RELATED TO [___]
(General Unsecured Claims By ____)

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (the "Plan"). The Plan is attached as Exhibit 1 to the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), which is contained in the CD-ROM accompanying this Ballot. If you are, as of October 20, 2003, the holder of unpaid General Unsecured Claim(s) against the Debtor listed in Item 4 of this Ballot which arose prior to the commencement of such Debtor's chapter 11 case (the "Petition Date"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a CD-ROM containing the Plan and Disclosure Statement, you may obtain a CD-ROM by contacting the Debtors' Solicitation Agent, Innisfree M&A Incorporated ("Innisfree"), at (877) 825-8906 (toll free).

IMPORTANT

You should review the Plan and the Disclosure Statement before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim(s) under the Plan. Item 4 of this Ballot indicates (1) the class related to your General Unsecured Claim(s) covered by this Ballot, (2) the dollar amount of such claim, and (3) the Debtor related to such Class. If you hold claims in more than one class under the Plan, you will receive a Ballot for each class in which you are entitled to vote and must complete a separate Ballot for each class of claims.

VOTING DEADLINE: 4:00 P. M. NEW YORK CITY TIME ON JANUARY 9, 2004.

If your Ballot is not received by the Debtors' Solicitation Agent, Innisfree, on or before the Voting Deadline and such deadline is not extended by the Debtor, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile or electronic mail transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote to accept the Plan.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan and/or to elect convenience claim treatment of your claim(s).

]

HOW TO VOTE (AS MORE FULLY SET FORTH IN THE ATTACHED VOTING INSTRUCTIONS):

COMPLETE ITEM 2.

REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 3.

SIGN THE BALLOT.

RETURN THE BALLOT IN THE PRE-ADDRESSED POSTAGE-PAID ENVELOPE (SO THAT IT IS RECEIVED BEFORE THE VOTING DEADLINE).

YOU MUST VOTE THE FULL AMOUNT OF ALL GENERAL UNSECURED CLAIMS COVERED BY THIS BALLOT EITHER TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

Item 1. Amount of Claims Voted. You are entitled to vote the claim(s) set forth in Item 4. The Debtors reserve the right to object to such claim(s) for purposes of distribution under the Plan.

Item 2. **Vote.** The holder of the General Unsecured Claim(s) identified in Item 4 votes as follows (check one box only—if you do not check a box, or if you check both boxes, your vote will not be counted):

☐ to **ACCEPT** the Plan. OR ☐ to **REJECT** the Plan.

Item 3. Certification. By returning this Ballot, the holder, or the authorized representative of such holder, of the General Unsecured Claim(s) identified in Item 4 certifies that: (a) this Ballot is the only Ballot submitted for its General Unsecured Claim(s) as identified in Item 4; (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the General Unsecured Claim(s) identified in Item 4; (c) it was the holder of the General Unsecured Claim(s) identified in Item 4 as of October 20, 2003; and (d) it has received a CD-ROM containing the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan and the election of convenience claim treatment under the Plan are subject to all the terms and conditions set forth in the Disclosure Statement and Plan.

Name of Creditor :______________________________

(Print or Type)

Social Security or Federal Tax ID. No.:_______________

(Optional)

Signature:______________________________________

Print Name:_____________________________________

Title:____

(If Appropriate)

Street Address: _________________________________

City, State, Zip Code:_____________________________

Telephone Number (____)___________________________

Date Completed:________________________________

[INSERT FROM INNISFREE—ITEM 4]

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest. Nor does the information set forth on this Ballot constitute an admission by the Debtors as to the extent, validity or priority of the claim(s) voted herein.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE SOLICITATION AGENT, INNISFREE BY 4:00 P.M., NEW YORK CITY TIME, ON JANUARY 9, 2004, OR YOUR VOTE WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED A BALLOT OR CD-ROM CONTAINING THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE SOLICITATION AGENT, INNISFREE, AT (877) 825-8906 (TOLL FREE). IF OBTAINING A COPY OF THE PLAN AND DISCLOSURE STATEMENT VIA CD-ROM OR THE INTERNET IMPOSES A HARDSHIP, YOU MAY SUBMIT A CERTIFICATION OF HARDSHIP EXPLAINING THE REASONS WHY A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT SHOULD BE PROVIDED BY THE DEBTORS. IF THE DEBTORS DETERMINE THAT A HARDSHIP EXISTS, THE DEBTORS WILL PROVIDE YOU WITH A PAPER COPY OF THE PLAN AND DISCLOSURE STATEMENT AT THE DEBTORS' COST WITHIN FIVE (5) BUSINESS DAYS. IF THE DEBTORS DETERMINE THAT THERE IS INSUFFICIENT INFORMATION TO ESTABLISH THE EXISTENCE OF A HARDSHIP, THE DEBTORS WILL CONSULT WITH THE CREDITORS' COMMITTEE PRIOR TO MAKING A FINAL DETERMINATION TO DENY A REQUEST.

EXHIBIT E

FORM OF VOTING INSTRUCTIONS

VOTING INSTRUCTIONS

General Instructions

1. This Ballot is submitted to you to solicit your vote to accept the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") of Enron Corp., et al. (the "Debtors") that is described in the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the "Disclosure Statement"). All capitalized terms used, but not defined herein or in the Ballot, have the meaning ascribed to such terms in the Plan or Disclosure Statement, as the case may be.

2. **PLEASE READ THESE VOTING INSTRUCTIONS, THE PLAN AND THE DISCLOSURE STATEMENT CAREFULLY BEFORE COMPLETING THE BALLOT. YOU SHOULD REVIEW THE PLAN AND THE DISCLOSURE STATEMENT BEFORE YOU VOTE. YOU MAY WISH TO SEEK LEGAL ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR CLAIM(S) UNDER THE PLAN.**

Voting and Non-Voting Classes

3. As set forth in detail in the Plan and the Disclosure Statement:

    a. Classes 1 and 2 are unimpaired and, accordingly, deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code;

    b. Class 185, consisting of intercompany claims, is impaired but the Debtors, as proponents of the Plan, are presumed to have accepted the Plan;

    c. Classes 181, 182 and 366 through 375 are expected to receive no distributions under the Plan and, thus, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code; and

    d. Classes 3 through 180, 183, 184 and 186 through 365 are impaired and receiving distributions under the Plan and, therefore, the Debtors are soliciting acceptances from holders of claims in these Classes only (collectively, the "Voting Classes").

Voting Procedures

4. The Debtors are providing Solicitation Packages containing, among other things, copies of the Plan, Disclosure Statement and Ballots to all record holders of claims entitled to vote in the Voting Classes as of October 20, 2003 (the "Record Date").

5. If no return envelope was enclosed with the Disclosure Statement and Ballot, please send your Ballot to the Solicitation Agent at the address listed below.

6. With respect to holders of claims in the Voting Classes:

   a. Holders of such claims can vote by completing the Ballot, signing it and returning it to the Solicitation Agent so as to be received by the Solicitation Agent on or before **January 9, 2004 at 4:00 p.m. (New York City Time)** (the "Voting Deadline").

   b. Ballots should be sent to the Solicitation Agent in the envelope provided or at the following address:

      Innisfree M&A Incorporated
      501 Madison Avenue, 20th Floor
      New York, NY 10022
      Attn: Enron Ballot Tabulation

   c. In order to be counted, your Ballot must be actually received by the Voting Deadline.

   d. The Ballot is not a letter of transmittal and may not be used for any purpose other than to transmit votes to accept or reject the Plan.

   e. The Solicitation Agent will not accept Ballots by facsimile or electronic mail.

7. With respect to holders of Allowed General Unsecured Claims in Classes 3 through 180, the Ballot provides the option to make certain elections with regard to your claim:

   a. Any holder of an Allowed General Unsecured Claim in Classes 3 through 180 whose Allowed General Unsecured Claim is more than Fifty Thousand Dollars ($50,000), may elect to reduce the amount of such Allowed General Unsecured Claim to Fifty Thousand Dollars ($50,000) and receive distributions pursuant to Article XIII of the Plan relating to Allowed Convenience Claims.

      i. Any such holder may make the election indicated above by marking item number 3 on the Ballot. If the election is made, such holder's vote will count as a Convenience Class vote against the Debtor indicated in item 5.

      ii. If a creditor opts into or out of the convenience class (as may be applicable under the Plan), then any such election shall be binding on such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor.

8. With respect to holders of Allowed General Unsecured Claims in those classes enumerated below, the Ballot provides the option to make certain elections with regard to your claim:

   a. Any holder of an Allowed General Unsecured Claim against Enron North America Corp. (Class 5), Enron Power Marketing, Inc. (Class 6), Enron Gas Liquids, Inc. (Class 17), Enron Global Markets LLC (Class 18), Enron Industrial

Markets LLC (Class 20), Enron Natural Gas Marketing Corp. (Class 37), ENA Upstream Company LLC (Class 38), Enron Capital & Trade Resources International Corp. (Class 42), and Enron Reserve Acquisition Corp. (Class 66) may elect to receive in accordance with section 7.3 of the Plan such holder's Pro Rata Share of One Hundred Twenty-Five Million Dollars ($125,000,000) in lieu of all or portion of the Plan Securities to which such holder is otherwise entitled to receive pursuant to the Plan.

i. In the event that any such holder elects to receive such additional Cash distribution, (a) such holder's distribution of Plan Securities will be reduced on a dollar-for-dollar basis and (b) distributions of Plan Securities made to holders of Allowed General Unsecured Claims against ENE shall be increased on a dollar-for-dollar basis.

ii. Any such holder may make the election indicated above by marking item number 4 on the Ballot. If the election is made, such holder's vote will count as a General Unsecured vote against the Debtor indicated in item 6.

9. With respect to holders of Allowed Convenience Claims in Classes 186 through 365, the Ballot provides the option to make certain elections with regard to your claim:

a. Any holder of an Allowed Convenience Claim in Classes 186 through 365 may elect to opt-out of convenience claim treatment and have such claim treated as an Allowed General Unsecured Claim and receive distributions pursuant to Article VII of the Plan relating to Allowed General Unsecured Claims.

i. Any such holder may make the election indicated above by marking item number 3 on the Ballot. If the election is made, such holder's vote will count as a General Unsecured vote against the Debtor indicated in item number 5.

ii. If a creditor opts into or out of the convenience class (as may be applicable under the Plan), then any such election shall be binding on such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor.

Tabulation Procedures for All Voting Classes

10. The Bankruptcy Court has established the following procedures regarding the tabulation of votes cast with respect to the Plan:

a. a vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that a vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

b. any Ballot that is returned to the Solicitation Agent, but which is unsigned, or has a non-original signature, shall not be counted;

c. all votes to accept or reject the Plan must be cast by using the appropriate Ballot and in accordance with these voting instructions and set forth on the Ballot and votes that are cast in any other manner shall not be counted;

d. a holder of claims in more than one (1) class must use separate Ballots for each class of claims;

e. a holder of claims shall be deemed to have voted the full amount of its claim in each class and shall not be entitled to split its vote within a particular class;

f. any Ballot (except a Master Ballot) that partially accepts and partially rejects the Plan shall not be counted;

g. if a holder of claims casts more than one (1) Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Solicitation Agent shall be counted;

h. if a holder of claims casts Ballots received by the Solicitation Agent on the same day, but which are voted inconsistently, such Ballots shall not be counted;

i. any executed Ballot received by the Solicitation Agent that does not indicate either an acceptance or rejection of the Plan shall not be counted;

j. any executed Ballot received by the Solicitation Agent that indicates both acceptance and rejection of the Plan shall not be counted;

k. any entity entitled to vote to accept or reject the Plan may change its vote before the Voting Deadline by casting a superseding Ballot so that it is received on or before such deadline; and

l. the Solicitation Agent shall not accept a vote by facsimile, telecopy transmission or electronic mail.

11. The Debtors may extend the Voting Deadline in their discretion, in consultation with the Creditors' Committee, and without further notice.

12. A claim that: (a) is deemed allowed pursuant to the Plan shall be allowed for voting purposes in the amount and classification deemed allowed in the Plan; (b) asserts a claim in a wholly unknown or unliquidated amount or is docketed in Bankruptcy Services, LLC's ("BSI") database as of October 20, 2003 in the amount of $0, then such claim shall be allowed for voting purposes only in the amount of $1.00; (c) asserts a claim in a partially unknown or unliquidated amount, then such claim shall be allowed for voting purposes only in the amount of the known or liquidated portion of the claim; (d) has been estimated and allowed by an order of the Bankruptcy Court in accordance with the Estimation Motion, then such claim will be allowed for voting purposes in the amount approved by the Court, provided that the order is entered on or before December 19, 2003; (e) is listed in the Debtors' schedules as contingent, unliquidated, or disputed and a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim

established by the Bankruptcy Court, or (ii) deemed timely filed by an order of the Bankruptcy Court prior to October 20, 2003, unless the Debtors have consented in writing, then such claim shall be disallowed for voting purposes; (f) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the entirety of a claim on or before October 20, 2003 and (ii) the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then such claim shall be disallowed for voting purposes; (g) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to a portion of a claim on or before October 20, 2003 and (ii) such portion of the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection; (h) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the classification of all or part of a claim on or before October 20, 2003 (including any requests to subordinate such claim) and (ii) such claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection (if any); (i) asserts the same claim against multiple Debtors, then such claim will be allowed for voting purposes only against the Debtor as docketed in BSI's claims database as of October 20, 2003; (j) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, the allowed amount of any proof of claim for voting purposes shall be the amount as docketed in BSI's claims database as of October 20, 2003; (k) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, for purposes of determining eligibility to vote, the classification of a claim shall be determined based on the classification as docketed in BSI's claims database as of October 20, 2003; provided, however, that any claims for which BSI was unable to identify the classification shall be classified as general unsecured claims; (l) if a creditor opts into or out of a particular convenience class (as may be applicable under the Plan), then any such election shall be binding upon such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor or in a different amount; (m) is allowed pursuant to a Court-approved settlement on or before December 19, 2003, then such claim will be entitled to vote on the Plan in accordance with the terms of such settlement; (n) asserts a claim that is not in U.S. dollars, such claim will be treated as unliquidated and allowed for voting purposes only in the amount of $1.00; (o) if (i) a proof of claim was filed after the applicable Bar Date, (ii) the creditor did not obtain leave to late file, and (iii) the proof of claim is not docketed in BSI's database as of October 20, 2003 as an amendment of a timely filed claim, then such claim shall be disallowed for voting purposes only;(p) does not list a Debtor or is docketed as "unknown" in BSI's database as of October 20, 2003, then such claim will be allowed for voting purposes only against Enron Corp.; and (q) is disallowed pursuant to section 502(d) of the Bankruptcy Code or is equitably subordinated under the Bankruptcy Code, then such claim shall be disallowed for voting purposes only; provided, however, that, upon application of the holder of any such claims described in (a) through (q) above, the Bankruptcy Court may temporarily allow such claim for voting purposes only in an amount and to the extent that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. Any such application must be (x) filed with the Bankruptcy Court on or before November 14, 2003, (y) a hearing on such motion must be held before the Bankruptcy Court on or before December 17, 2003, and (z) the Bankruptcy Court must enter an order allowing such claim for voting purposes on or before December 19, 2003.

Questions

13. If you have any questions regarding your Ballot or these voting instructions, please call the Solicitation Agent at (877) 825-8906 (Toll Free).

VOTING INSTRUCTIONS

(Class 4 Syndicated Bank Debt)

General Instructions

1. This Ballot is submitted to you to solicit your vote to accept the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") of Enron Corp., et al. (the "Debtors") that is described in the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the "Disclosure Statement"). All capitalized terms used, but not defined herein or in the Ballot, have the meaning ascribed to such terms in the Plan or Disclosure Statement.

2. **PLEASE READ THESE VOTING INSTRUCTIONS, THE PLAN AND THE DISCLOSURE STATEMENT CAREFULLY BEFORE COMPLETING THE BALLOT. YOU SHOULD REVIEW THE PLAN AND THE DISCLOSURE STATEMENT BEFORE YOU VOTE. YOU MAY WISH TO SEEK LEGAL ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOUR CLAIM(S) UNDER THE PLAN.**

Voting and Non Voting Classes

3. As set forth in detail in the Plan and the Disclosure Statement:

    a. Classes 1 and 2 are unimpaired and, accordingly, deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code;

    b. Class 185, consisting of intercompany claims, is impaired but the Debtors, as proponents of the Plan, are presumed to have accepted the Plan;

    c. Classes 181, 182 and 366 through 375 are expected to receive no distributions under the Plan and, thus, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code; and

    d. Classes 3 through 180, 183, 184 and 186 through 365 are impaired and receiving distributions under the Plan and, therefore, the Debtors are soliciting acceptances from holders of claims in these Classes only (collectively, the "Voting Classes").

Voting Procedures

4. The Debtors are providing Solicitation Packages containing, among other things, copies of the Plan, Disclosure Statement and Ballots to all record holders of claims in the Voting Classes as of October 20, 2003 (the "Record Date").

5. If no return envelope was enclosed with the Disclosure Statement and Ballot, please send your Ballot to the Solicitation Agent at the address listed below.

6. With respect to holders of claims in Class 4 based on syndicated credit facilities:

a. Holders of such claims can vote by completing the Ballot, signing it and returning it to the Solicitation Agent so as to be received by the Solicitation Agent on or before **January 9, 2004 at 4 p.m. (New York City Time)** ("Voting Deadline"), unless such deadline is extended by the Debtors.

b. Ballots should be sent to the Solicitation Agent in the envelope provided or at the following address:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Attn: Enron Ballot Tabulation

c. In order to be counted, your Ballot must be actually received by the Voting Deadline.

d. The Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to transmit votes to accept or reject the Plan.

e. The Solicitation Agent will not accept Ballots by facsimile or electronic mail.

Tabulation Procedures for All Voting Classes

7. The Bankruptcy Court has established the following procedures regarding the tabulation of votes cast with respect to the Plan:

a. a vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that a vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

b. any Ballot that is returned to the Solicitation Agent, but which is unsigned, or has a non-original signature, shall not be counted;

c. all votes to accept or reject the Plan must be cast by using the appropriate Ballot and in accordance with these voting instructions and votes that are cast in any other manner shall not be counted;

d. a holder of claims in more than one (1) class must use separate Ballots for each class of claims;

e. a holder of claims shall be deemed to have voted the full amount of its claim in each class and shall not be entitled to split its vote within a particular class;

f. any Ballot (except a Master Ballot) that partially accepts and partially rejects the Plan shall not be counted;

g. if a holder of claims casts more than one (1) Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Solicitation Agent shall be counted;

h. if a holder of claims casts Ballots received by the Solicitation Agent on the same day, but which are voted inconsistently, such Ballots shall not be counted;

i. any executed Ballot received by the Solicitation Agent that does not indicate either an acceptance or rejection of the Plan shall not be counted;

j. any executed Ballot received by the Solicitation Agent that indicates both acceptance and rejection of the Plan shall not be counted;

k. any entity entitled to vote to accept or reject the Plan may change its vote before the Voting Deadline by casting a superseding Ballot so that it is received on or before such deadline; and

l. the Solicitation Agent shall not accept a vote by facsimile, telecopy transmission or electronic mail.

8. The Debtors in consultation with the Creditors' Committee, may extend the Voting Deadline in their discretion and without further notice.

9. A claim that: (a) is deemed allowed pursuant to the Plan shall be allowed for voting purposes in the amount and classification deemed allowed in the Plan; (b) asserts a claim in a wholly unknown or unliquidated amount or is docketed in Bankruptcy Services, LLC's ("BSI") database as of October 20, 2003 in the amount of $0, then such claim shall be allowed for voting purposes only in the amount of $1.00; (c) asserts a claim in a partially unknown or unliquidated amount, then such claim shall be allowed for voting purposes only in the amount of the known or liquidated portion of the claim; (d) has been estimated and allowed by an order of the Bankruptcy Court in accordance with the Estimation Motion, then such claim will be allowed for voting purposes in the amount approved by the Court, provided that the order is entered on or before December 19, 2003; (e) is listed in the Debtors' schedules as contingent, unliquidated, or disputed and a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim established by the Bankruptcy Court, or (ii) deemed timely filed by an order of the Bankruptcy Court prior to October 20, 2003, unless the Debtors have consented in writing, then such claim shall be disallowed for voting purposes; (f) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the entirety of a claim on or before October 20, 2003 and (ii) the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then such claim shall be disallowed for voting purposes; (g) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to a portion of a claim on or before October 20, 2003 and (ii) such portion of the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection; (h) if (i) the Debtors have

objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the classification of all or part of a claim on or before October 20, 2003 (including any requests to subordinate such claim) and (ii) such claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection (if any); (i) asserts the same claim against multiple Debtors, then such claim will be allowed for voting purposes only against the Debtor as docketed in BSI's claims database as of October 20, 2003; (j) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, the allowed amount of any proof of claim for voting purposes shall be the amount as docketed in BSI's claims database as of October 20, 2003; (k) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, for purposes of determining eligibility to vote, the classification of a claim shall be determined based on the classification as docketed in BSI's claims database as of October 20, 2003; provided, however, that any claims for which BSI was unable to identify the classification shall be classified as general unsecured claims; (l) if a creditor opts into or out of a particular convenience class (as may be applicable under the Plan), then any such election shall be binding upon such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor or in a different amount; (m) is allowed pursuant to a Court-approved settlement on or before December 19, 2003, then such claim will be entitled to vote on the Plan in accordance with the terms of such settlement; (n) asserts a claim that is not in U.S. dollars, such claim will be treated as unliquidated and allowed for voting purposes only in the amount of $1.00; (o) if (i) a proof of claim was filed after the applicable Bar Date, (ii) the creditor did not obtain leave to late file, and (iii) the proof of claim is not docketed in BSI's database as of October 20, 2003 as an amendment of a timely filed claim, then such claim shall be disallowed for voting purposes only;(p) does not list a Debtor or is docketed as "unknown" in BSI's database as of October 20, 2003, then such claim will be allowed for voting purposes only against Enron Corp.; and (q) is disallowed pursuant to section 502(d) of the Bankruptcy Code or is equitably subordinated under the Bankruptcy Code, then such claim shall be disallowed for voting purposes only; provided, however, that, upon application of the holder of any such claims described in (a) through (q) above, the Bankruptcy Court may temporarily allow such claim for voting purposes only in an amount and to the extent that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. Any such application must be (x) filed with the Bankruptcy Court on or before November 14, 2003, (y) a hearing on such motion must be held before the Bankruptcy Court on or before December 17, 2003, and (z) the Bankruptcy Court must enter an order allowing such claim for voting purposes on or before December 19, 2003.

Questions

10. If you have any questions regarding your Ballot or these voting instructions, please call the Solicitation Agent at (877) 825-8906 (Toll Free).

INSTRUCTIONS FOR COMPLETING THE MASTER BALLOT

VOTING DEADLINE/SOLICITATION AGENT:

The Voting Deadline is 4:00 P. M., New York City Time, on January 9, 2004, unless extended by the Debtors. To have the vote of your customers count, you must complete, sign, and return this Master Ballot so that it is received by the Solicitation Agent, Innisfree, Attn: Enron Ballot Tabulation, 501 Madison Avenue, 20th Floor, New York, NY 10222, before the Voting Deadline.

HOW TO COMPLETE THE MASTER BALLOT:

If you are both the registered holder or record holder *and* Beneficial Holder of any principal amount of Class 4 Security and you wish to vote such Class 4 Security: You may complete, execute, and return to the Solicitation Agent *either* a Class 4 Ballot *or* a Class 4 Master Ballot.

If you are transmitting the votes of any Beneficial Holders of Class 4 Securities other than yourself, you may *either*:

Complete and execute the Class 4 Ballot (other than Items 2 and 3) and deliver to the Beneficial Holder such "prevalidated" Class 4 Ballot, along with the Disclosure Statement and other materials requested to be forwarded. The Beneficial Holder should complete Items 2 and 3 of that Ballot and return the completed Ballot to the Solicitation Agent so as to be received before the Voting Deadline:

OR

For any Class 4 Ballots you do not "prevalidate":

Deliver the Class 4 Ballot to the Beneficial Holder, along with the Disclosure Statement and other materials requested to be forwarded, and take the necessary actions to enable such Beneficial Holder to (i) complete and execute such Ballot voting to accept or reject the Plan, and (ii) return the completed, executed Ballot to you in sufficient time to enable you to complete the Master Ballot and deliver it to the Solicitation Agent before the Voting Deadline of 4:00 P.M., New York City Time, on January 9, 2004; and

With respect to all Class 4 Ballots returned to you, you must properly complete the Master Ballot, as follows:

a. Check the appropriate box in Item 1 on the Master Ballot;

b. In Item 2 of this Master Ballot, indicate the votes to accept or reject the Plan, as transmitted to you by the Beneficial Holders of Class 4 Securities. To identify such Beneficial Holders without disclosing their names, please use the customer account number assigned by you to each such Beneficial Holder, or if no such customer account number exists, please assign a number to each account (making sure to retain a separate list of each Beneficial Holder and the assigned number). **IMPORTANT: BENEFICIAL HOLDERS MAY *NOT* SPLIT THEIR VOTES. EACH BENEFICIAL HOLDER MUST VOTE *ALL* OF HIS, HER, OR ITS CLASS 4 SECURITY *EITHER*** TO ACCEPT OR REJECT THE PLAN. IF ANY BENEFICIAL HOLDER HAS ATTEMPTED TO SPLIT SUCH VOTE, PLEASE CONTACT THE SOLICITATION AGENT IMMEDIATELY. Any Ballot or Master Ballot which is validly executed but (i) which does not indicate acceptance or rejection of the Plan by the indicated Beneficial Holder, or (ii) indicates both an acceptance and rejection of the Plan by the indicated Beneficial Holder, will not be counted;

c. Please note that Item 3 of this Master Ballot requests that you transcribe the information provided by each Beneficial Holder from Item 3 of each completed Class 4 Ballot relating to other Class 4 Securities voted;

d. Review the certification in Item 4 of the Master Ballot;

e. In Item 4, sign and date the Master Ballot, and provide the remaining information requested;

f. If additional space is required to respond to any item on the Master Ballot, please use additional sheets of paper clearly marked to indicate the applicable Item of the Master Ballot to which you are responding;

g. Contact the Solicitation Agent to arrange for delivery of the completed Master Ballot to its offices; and

h. Deliver the completed, executed Master Ballot so as to be *received* by the Solicitation Agent, Innisfree, before the Voting Deadline. For each completed, executed Class 4 Ballot returned to you by a Beneficial Holder, either forward such Ballot (along with your Master Ballot) to the Solicitation Agent or retain such Class 4 Ballot in your files for at least one year from the Voting Deadline.

PLEASE NOTE:

This Master Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan. Holders should not surrender, at this time, certificates representing their securities. Neither the Debtors nor the Solicitation Agent will accept delivery of any such certificates surrendered together with this Master Ballot. Surrender of securities for exchange may only be made by you, and will only be accepted pursuant to a letter of transmittal that will be furnished to you by the Debtors following confirmation of the Plan by the United States Bankruptcy Court.

No Ballot or Master Ballot shall constitute or be deemed (a) a proof of claim or equity interest or an assertion of a claim or equity interest or (b) an admission by the Debtors of the nature, validity or amount of any claim.

We will, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the Ballots and other enclosed materials to the Beneficial Holders of Class 4 Securities held by you as a nominee or in a fiduciary capacity. We will also pay all transfer taxes, if any, applicable to the transfer and exchange of your securities pursuant to and following confirmation of the Plan.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER PERSON THE AGENT OF ANY OF THE DEBTORS OR THE SOLICITATION AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE ENCLOSED DOCUMENTS.

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES OR IF YOU NEED ADDITIONAL COPIES OF THE MASTER BALLOT, BALLOTS, DISCLOSURE STATEMENT, OR OTHER RELATED MATERIALS, PLEASE CALL INNISFREE AT (212) 750-5833.

VOTING INSTRUCTIONS

(General Unsecured Claims Related to ___________________________)

General Instructions

1. This Ballot is submitted to you to solicit your vote to accept the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") of Enron Corp., et al. (the "Debtors") that is described in the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (the "Disclosure Statement"). All capitalized terms used, but not defined herein or in the Ballot, have the meaning ascribed to such terms in the Plan or Disclosure Statement.

2. **PLEASE READ THESE VOTING INSTRUCTIONS, THE PLAN AND THE DISCLOSURE STATEMENT CAREFULLY BEFORE COMPLETING THE BALLOT. YOU SHOULD REVIEW THE PLAN AND THE DISCLOSURE STATEMENT BEFORE YOU VOTE. YOU MAY WISH TO SEEK LEGAL ADVICE CONCERNING THE PLAN AND THE CLASSIFICATION AND TREATMENT OF YOU CLAIM(S) UNDER THE PLAN.**

Voting and Non Voting Classes

3. As set forth in detail in the Plan and the Disclosure Statement:

   a. Classes 1 and 2 are unimpaired and, accordingly, deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code;

   b. Class 185, consisting of intercompany claims, is impaired but the Debtors, as proponents of the Plan, are presumed to have accepted the Plan;

   c. Classes 181, 182 and 366 through 375 are expected to receive no distributions under the Plan and, thus, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code; and

   d. Classes 3 through 180, 183, 184 and 186 through 365 are impaired and receiving distributions under the Plan and, therefore, the Debtors are soliciting acceptances from holders of claims in these Classes only (collectively, the "Voting Classes").

Voting Procedures for Ballots Cast By The Trustee

4. The Debtors are providing Solicitation Packages containing, among other things, copies of the Plan, Disclosure Statement and Ballots to all record holders of claims in the Voting Classes as of October 20, 2003 (the "Record Date").

5. If no return envelope was enclosed with the Disclosure Statement and Ballot, please send your Ballot to the Solicitation Agent at the address listed below.

6. With respect to votes cast by the Trustee:

   a. The Trustee can vote for the Securities Trust by completing the Trustee Ballot, signing it and returning it to the Solicitation Agent so as to be received by the Solicitation Agent on or before **January 9, 2004 at 4 p.m. (New York City Time)** ("Voting Deadline"), unless such deadline is extended by the Debtors.

   b. All Ballots should be sent to the Solicitation Agent at the following address:

      Innisfree M&A Incorporated
      501 Madison Avenue, 20th Floor
      New York, NY 10022
      Attn: Enron Ballot Tabulation

   c. In order to be counted, your Trustee Ballot must be actually received by the Voting Deadline.

   d. The Trustee Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to transmit votes to accept or reject the Plan.

   e. The Solicitation Agent will not accept Trustee Ballots by facsimile or electronic mail.

Ballots For Beneficial Holders of Trust Securities

7. The Debtors have supplied the Trustee with sufficient copies of Solicitation Packages and Beneficial Holder Ballots for those who are entitled to vote on whether the Securities Trust should vote to accept or reject the Plan.

8. The Trustee should forward copies of the Beneficial Holder Ballots and Solicitation Packages to all Beneficial Holders of Trust Securities in order to solicit their votes in accordance with the mandates of the Securities Trust and the Trustee's fiduciary duties.

9. The Trustee is required to forward the Solicitation Packages and Beneficial Holder Ballots to Beneficial Holders within five (5) business days of receipt of same. The Trustee must instruct the Beneficial Holders to return their Beneficial Holder Ballots to the Solicitation Agent in the self-addressed, postage-prepaid envelopes provided by the Debtors.

10. **Your Beneficial Holder Ballot must be actually received by Innisfree by Noon (New York City Time) on January 5, 2004 in order for your Ballot to be counted.**

11. The Solicitation Agent must tabulate the votes of the Beneficial Holders and deliver the results of the tabulation to the Trustee. The Trustee will then complete (if at all) the Trustee Ballot based on the tabulation of the Beneficial Holder Ballots in accordance with the provisions of the Securities Trust and the Trustee's fiduciary duties.

12. The Trustee must then forward the Trustee Ballot casting the vote for the Securities Trust to the Solicitation Agent by the Voting Deadline.

13. Beneficial Holders of Trust Securities are not entitled to vote as individual creditors of the Debtors. Beneficial Holder Ballots should not be sent by the Trustee to the Solicitation Agent for tabulation.

Tabulation Procedures for All Voting Classes

14. The Bankruptcy Court has established the following procedures regarding the tabulation of votes cast with respect to the Plan:

a. votes may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that a vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

b. any Ballot that is returned to the Solicitation Agent, but which is unsigned, or has a non-original signature, shall not be counted;

c. all votes to accept or reject the Plan must be cast by using the appropriate Ballot and in accordance with these voting instructions and votes that are cast in any other manner shall not be counted;

d. a holder of claims in more than one (1) class must use separate Ballots for each class of claims;

e. a holder of claims shall be deemed to have voted the full amount of its claim in each class and shall not be entitled to split its vote within a particular class;

f. any Ballot that partially accepts and partially rejects the Plan shall not be counted;

g. if a holder of claims casts more than one (1) Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Solicitation Agent shall be counted;

h. if a holder of claims casts Ballots received by the Solicitation Agent on the same day, but which are voted inconsistently, such Ballots shall not be counted;

i. any executed Ballot received by the Solicitation Agent that does not indicate either an acceptance or rejection of the Plan shall not be counted;

j. any executed Ballot received by the Solicitation Agent that indicates both acceptance and rejection of the Plan shall not be counted;

k. any entity entitled to vote to accept or reject the Plan may change its vote before the Voting Deadline by casting a superseding Ballot so that it is received on or before such deadline; and

l. the Solicitation Agent shall not accept a vote by facsimile, telecopy transmission or electronic mail.

15. The Debtors, in consultation with the Creditors' Committee, may extend the Voting Deadline in their discretion and without further notice.

16. A claim that: (a) is deemed allowed pursuant to the Plan shall be allowed for voting purposes in the amount and classification deemed allowed in the Plan; (b) asserts a claim in a wholly unknown or unliquidated amount or is docketed in Bankruptcy Services, LLC's ("BSI") database as of October 20, 2003 in the amount of $0, then such claim shall be allowed for voting purposes only in the amount of $1.00; (c) asserts a claim in a partially unknown or unliquidated amount, then such claim shall be allowed for voting purposes only in the amount of the known or liquidated portion of the claim; (d) has been estimated and allowed by an order of the Bankruptcy Court in accordance with the Estimation Motion, then such claim will be allowed for voting purposes in the amount approved by the Court, provided that the order is entered on or before December 19, 2003; (e) is listed in the Debtors' schedules as contingent, unliquidated, or disputed and a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim established by the Bankruptcy Court, or (ii) deemed timely filed by an order of the Bankruptcy Court prior to October 20, 2003, unless the Debtors have consented in writing, then such claim shall be disallowed for voting purposes; (f) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the entirety of a claim on or before October 20, 2003 and (ii) the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then such claim shall be disallowed for voting purposes; (g) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to a portion of a claim on or before October 20, 2003 and (ii) such portion of the claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection; (h) if (i) the Debtors have objected to a claim by serving an objection, motion, adversary proceeding or otherwise to the classification of all or part of a claim on or before October 20, 2003 (including any requests to subordinate such claim) and (ii) such claim has not been temporarily allowed for voting purposes in accordance with the procedures set forth below, then the claim shall be allowed for voting purposes only in the amount that is not the subject of the pending objection (if any); (i) asserts the same claim against multiple Debtors, then such claim will be allowed for voting purposes only against the Debtor as docketed in BSI's claims database as of October 20, 2003; (j) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, the allowed amount of any proof of claim for voting purposes shall be the amount as docketed in BSI's claims database as of October 20, 2003; (k) unless otherwise provided in the Temporary Allowance Procedures Order or other orders of the Court, for purposes of determining eligibility to vote, the classification of a claim shall be determined based on the classification as docketed in BSI's claims database as of October 20, 2003; provided, however, that any claims for which BSI was unable to identify the classification shall be classified as general unsecured claims; (l) if a creditor opts into or out of a particular convenience class (as may be applicable under the Plan), then any such election shall be

binding upon such creditor regardless of whether the claim is ultimately allowed (if allowed at all) against a different Debtor or in a different amount; (m) is allowed pursuant to a Court-approved settlement on or before December 19, 2003, then such claim will be entitled to vote on the Plan in accordance with the terms of such settlement; (n) asserts a claim that is not in U.S. dollars, such claim will be treated as unliquidated and allowed for voting purposes only in the amount of $1.00; (o) if (i) a proof of claim was filed after the applicable Bar Date, (ii) the creditor did not obtain leave to late file, and (iii) the proof of claim is not docketed in BSI's database as of October 20, 2003 as an amendment of a timely filed claim, then such claim shall be disallowed for voting purposes only;(p) does not list a Debtor or is docketed as "unknown" in BSI's database as of October 20, 2003, then such claim will be allowed for voting purposes only against Enron Corp.; and (q) is disallowed pursuant to section 502(d) of the Bankruptcy Code or is equitably subordinated under the Bankruptcy Code, then such claim shall be disallowed for voting purposes only; provided, however, that, upon application of the holder of any such claims described in (a) through (q) above, the Bankruptcy Court may temporarily allow such claim for voting purposes only in an amount and to the extent that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. Any such application must be (x) filed with the Bankruptcy Court on or before November 14, 2003, (y) a hearing on such motion must be held before the Bankruptcy Court on or before December 17, 2003, and (z) the Bankruptcy Court must enter an order allowing such claim for voting purposes on or before December 19, 2003.

Questions

16. If you have any questions regarding your Ballot or these voting instructions, please call the Solicitation Agent at (877) 825-8906 (Toll Free).

EXHIBIT F

NOTICE OF NON-VOTING STATUS – UNIMPAIRED CLASSES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

NOTICE OF NON-VOTING STATUS
WITH RESPECT TO UNIMPAIRED CLASSES

PLEASE TAKE NOTICE THAT by order, entered on [__], 2003 (the "Order"), the United States Bankruptcy Court for the Southern District of New York approved the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), filed by Enron Corp. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), and directed the Debtors to solicit votes to accept or reject the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (as may be amended, the "Plan"), attached thereto.

NON-VOTING STATUS

UNIMPAIRED CLASSES NOT ENTITLED TO VOTE: As set forth in the Plan and Disclosure Statement, Class 1, Priority Non-Tax Claims, and Class 2, Secured Claims, are unimpaired and, accordingly, deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

OTHER NON-VOTING PARTIES: Pursuant to an order of the Bankruptcy Court, unless otherwise provided for in the Plan, the following parties are not entitled to vote under the Plan: (a) holders of claims, as of the Record Date, that are listed in the Debtors' Schedules of Assets and Liabilities as contingent, unliquidated or disputed and a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claims, or (ii) deemed timely filed by an order of the Bankruptcy Court prior to the Record Date, unless the Debtors have otherwise consented in writing; and (b) holders of claims for which an objection was served by the Debtors on or before October 20, 2003.

PLAN TREATMENT

IF YOU HOLD A CLASS 1—PRIORITY NON-TAX CLAIM, the Plan provides as follows: unless otherwise mutually agreed upon by the holder of an Allowed Priority Non-Tax Claim and the Reorganized Debtors, each holder of an Allowed Priority Non-Tax Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed Priority

Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim on the later of the Effective Date and the date such Allowed Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

IF YOU HOLD A CLASS 2—SECURED CLAIM, the Plan provides as follows: on the Effective Date, each holder of an Allowed Secured Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed Secured Claim one of the following distributions: (a) the payment of such holder's Allowed Secured Claim in full, in Cash; (b) the sale or disposition proceeds of the property securing any Allowed Secured Claim to the extent of the value of their respective interests in such property; (c) the surrender to the holder or holders of any Allowed Secured Claim of the property securing such Claim; or (d) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. The manner and treatment of each Secured Claim shall be determined by the Debtors, subject to the consent of the Creditors' Committee and transmitted, in writing, to holder of a Secured Claim on or prior to the commencement of the Confirmation Hearing.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

EXECUTORY CONTRACTS AND UNEXPIRED LEASES: Not later than ten (10) days prior to the commencement of the Confirmation Hearing, the Debtors shall file the Assumption Schedule with the Bankruptcy Court setting forth the list of executory contracts and unexpired leases to be assumed by the Debtors pursuant to the Plan as of the Effective Date, and such executory contracts and unexpired leases shall be deemed assumed as of the Effective Date. The Debtors, may at any time during the period from the Confirmation Date up to and including the Effective Date, amend the Assumption Schedule to delete any executory contracts or unexpired leases therefrom. In the event that the Debtors determine to amend the Assumption Schedule, (1) the Debtors shall file a notice (a "Rejection Notice") of any such amendment with the Bankruptcy Court and serve such Rejection Notice on any affected party and (2) any executory contract or unexpired lease deleted from the Assumption Schedule shall be deemed rejected as of the date of such Rejection Notice. Any monetary amounts required as cure payments on each executory contract and unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash on the Effective Date or upon such other terms and dates as the parties to such executory contracts or unexpired leases otherwise may agree. In the event of a dispute regarding (a) the amount of any cure payment, (b) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption arises, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be subject to the jurisdiction of the Bankruptcy Court and made following the existence of a Final Order resolving such dispute.

APPROVAL OF ASSUMPTION OR REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES: All executory contracts and unexpired leases included on the Assumption Schedule will be assumed as of the Effective Date. Any executory contracts or unexpired leases not set forth on the Assumption Schedule that have not expired by their own terms on or prior to the Confirmation Date, which have not been assumed and assigned or rejected with the approval of the Bankruptcy Court, or which are not the subject of a motion to assume the same pending as of the Confirmation Date shall be deemed rejected by the Debtors on the Confirmation Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Notwithstanding anything contained in the Plan to the contrary, all trading contracts between or among two or more Debtors, and no non-Debtor Entities, shall be deemed for all purposes to have been rejected and otherwise terminated as of the Initial Petition Date and the values and damages attributable thereto shall be calculated as of the Initial Petition Date.

BAR DATE FOR FILING PROOFS OF CLAIM RELATING TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES REJECTED PURSUANT TO THE PLAN: Except with regard to executory contracts governed in accordance with the provisions of Section 31.3 of the Plan, if the rejection of an executory contract or unexpired lease by the Debtors under the Plan results in damages to the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors, or its properties or agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon attorneys for the Debtors on or before thirty (30) days after the latest to occur of (a) the Confirmation Date, (b) the date of entry of an order by the Bankruptcy Court authorizing rejection of a particular executory contract or unexpired lease and (c) the date of the Rejection Notice with respect to a particular executory contract or unexpired lease.

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Dated: New York, New York
____________, 2003

EXHIBIT G

NOTICE OF NON-VOTING STATUS – IMPAIRED CLASSES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11**
ENRON CORP., et al.,	:	**Case No. 01-16034 (AJG)**
	:	**Jointly Administered**
Debtors.	:	

NOTICE OF NON-VOTING STATUS WITH RESPECT TO IMPAIRED CLASSES

PLEASE TAKE NOTICE THAT by order, entered on [__], 2003 (the "Order"), the United States Bankruptcy Court for the Southern District of New York approved the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated September 18, 2003 (the "Disclosure Statement"), filed by Enron Corp. and certain of its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), and directed the Debtors to solicit votes to accept or reject the Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated September 18, 2003 (as may be amended, the "Plan"), attached thereto.

NON-VOTING STATUS

As set forth in the Plan and Disclosure Statement, Class 181, Enron Subordinated Debenture Claims, Class 182, ENE TOPRS Debenture Claims, Classes 366 through 372, Subordinated Claims, and Class 373, Enron Preferred Equity Interests, Class 374, Enron Common Equity Interests, and Class 375, Other Equity Interests, are expected to receive no distributions under the Plan and, thus, are deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

PLAN TREATMENT

IF YOU HOLD A CLASS 181—ENRON SUBORDINATED DEBENTURE CLAIM, the Plan provides as follows: Commencing on the Effective Date, each holder of an Allowed Enron Subordinated Debenture Claim shall be entitled to receive on account of such Allowed Enron Subordinated Debenture Claim distributions (a) in an aggregate amount equal to such holder's Pro Rata Share of the Distributive Assets attributable to ENE and (b) equal to such holder's Pro Rata Share of (i) three million (3,000,000) Litigation Trust Interests and (ii) three million (3,000,000) Special Litigation Trust Interests; provided, however, that, notwithstanding the foregoing, the contractual subordination rights of holders of "Senior Indebtedness" or any similar term under the Enron Subordinated Indentures shall be preserved and enforced under the Plan pursuant to section 510(a) of the Bankruptcy Code and, as a result thereof, the aggregate of such distributions shall be distributed to holders of Allowed General Unsecured Claims that constitute "Senior Indebtedness", until such time as such holder's claims have been satisfied in accordance with the terms and provisions of the Enron Subordinated Indentures.

IF YOU HOLD A CLASS 182—ENE TOPRS DEBENTURE CLAIM, the Plan provides as follows: Commencing on the Effective Date, each holder of an Allowed ENE TOPRS Debenture Claim shall be entitled to receive on account of such Allowed ENE TOPRS Debenture Claim distributions (a) in an aggregate amount equal to such holder's Pro Rata Share of the Distributive Assets attributable to ENE and (b) equal to such holder's Pro Rata Share of (i) three million (3,000,000) Litigation Trust Interests and (ii) three million (3,000,000) Special Litigation Trust Interests; provided, however, that, notwithstanding the foregoing, the contractual subordination rights of holders of "Senior Indebtedness" or any similar term under the ENE TOPRS Indentures shall be preserved and enforced hereunder pursuant to section 510(a) of the Bankruptcy Code and, as a result thereof, the aggregate of such distributions shall be distributed to holders of Allowed General Unsecured Claims that constitute "Senior Indebtedness" until such time as such holder's Claims have been satisfied in accordance with the terms and provisions of the ENE TOPRS Indentures.

IF YOU HOLD A CLAIM IN CLASSES 366-372—SUBORDINATED CLAIMS, the Plan provides as follows: the holders of claims or interests in Classes 366-372 are expected to receive no distribution under the Plan.

IF YOU HOLD AN INTEREST IN CLASS 373—ENRON PREFERRED EQUITY INTERESTS, the Plan provides as follows: the holders of interests in Class 373 are expected to receive no distribution under the Plan and on the Effective Date all Enron Preferred Equity Interests will be cancelled, extinguished, and of no further force and effect.

IF YOU HOLD AN INTEREST IN CLASS 374— ENRON COMMON EQUITY INTERESTS, the Plan provides as follows: the holders of interests in Class 374 are expected to receive no distribution under the Plan and on the Effective Date all Enron Common Equity Interests will be cancelled, extinguished, and of no further force and effect.

IF YOU HOLD AN INTEREST IN CLASS 375—OTHER EQUITY INTERESTS, the Plan provides as follows: the holders of interests in Class 375 are expected to receive no distribution under the Plan and on the Effective Date all Other Equity Interests will be cancelled, extinguished, and of no further force and effect.

CONTINGENT DISTRIBUTIONS TO CLASSES 373 AND 374

The Debtors believe that Enron's existing preferred stock and common stock have no value. However, the Plan provides the holders of interests in Classes 373 and 374 with a contingent right to receive recovery in the very unlikely event that the aggregate value of the Enron's assets exceeds the total amount of allowed claims. The treatment of interests in Classes 373 and 374 under the Plan are summarized below.

CLASS 373-ENRON PREFERRED EQUITY INTERESTS

Except as otherwise provided in Section 15.2 of the Plan, on the Effective Date, each holder of an Allowed Enron Preferred Equity Interest shall be entitled to receive such holder's pro rata share of the Preferred Equity Trust Interests relating to such holders' class of Exchanged Enron Preferred Stock to be allocated pursuant to Article XXII of the Plan.

Contingent Distribution/Limitation on Recovery: In the event that (a) cash and plan securities are deemed redistributed to a holder of an Allowed Enron Preferred Equity Interest, and, as a result of the issuance and transfer of the Exchanged Enron Preferred Stock, to the Preferred Equity Trustee for and on behalf of the holders of Preferred Equity Trust Interests, in accordance with the provisions of sections 7.5, 8.2, 9.2 and 14.2 of the Plan, and (b) the sum of such distributions to such holder are equal or in excess of to one hundred percent (100%) of such holder's Allowed Enron Preferred Equity Interests, then, the Cash and Plan Securities remaining to be distributed to such holder in excess of such one hundred percent (100%) shall be deemed redistributed to holders of Allowed Section 510 Enron Common Equity Interest Claims and Allowed Enron Common Equity Interests in accordance with the provisions of the documents, instruments and agreements governing such equity interests, including, without limitation, the contractual subordination provisions set forth therein, and the Bankruptcy Code.

Cancellation of Enron Preferred Equity Interests and Exchanged Enron Preferred Stock: On the Effective Date, the Enron Preferred Equity Interests shall be deemed cancelled and of no force and effect and the Exchanged Enron Preferred Stock shall be issued in lieu thereof. On the later to occur of (a) the entry of a final order resolving all claims in the chapter 11 cases and (b) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, the Exchanged Enron Preferred Stock shall be deemed extinguished and the certificates and all other documents representing such Equity Interests shall be deemed cancelled and of no force and effect.

CLASS 374—ENRON COMMON EQUITY INTERESTS

Except as otherwise provided in Section 16.2 of the Plan, on the Effective Date, each holder of an Allowed Enron Common Equity Interest shall be entitled to receive such holder's pro rata share of Common Equity Trust Interests to be allocated pursuant to Article XXII of the Plan.

Contingent Distribution to Common Equity Trust: In the event that cash and plan securities are deemed redistributed to a holder of an Allowed Enron Common Equity Interest in accordance with the provisions of sections 7.5, 8.2, 9.2, 14.2 and 15.2 of the Plan, as a result of the issuance and transfer of Exchanged Enron Common Stock, all distributions in respect of the Exchanged Enron Common Stock shall be made to the Common Equity Trustee for and on behalf of the holders of Common Equity Trust Interests.

Cancellation of Enron Common Equity Interests and Exchanged Enron Common Stock: On the Effective Date, the Enron Common Equity Interests shall be deemed cancelled and of no force and effect and the Exchanged Enron Common Stock shall be issued in lieu thereof. On the later to occur of (a) the entry of a final order resolving all claims in the chapter 11 cases and (b) the final distribution made to holders of Allowed Claims and Allowed Equity Interests in accordance with Article XXIX of the Plan, the Exchanged Enron Common Stock shall be deemed extinguished and the certificates and all other documents representing such equity interests shall be deemed cancelled and of no force and effect.

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Dated: New York, New York
____________, 2003

EXHIBIT H

ENRON'S PREPETITION CLAIMS BASED ON DEBT SECURITIES AND SYNDICATED CREDIT FACILITIES ENTITLED TO VOTE ON THE PLAN

The following prepetition claims for debt securities of Enron were outstanding as of December 2, 2001 and are entitled to vote on the Plan:

Name of Trustee / Payee / Principal Obligee (as of July 31, 2003)	Instrument/CUSIP or ISIN	Amount Outstanding as of the Petition Date (unless otherwise noted)	Debtor
The Bank of New York, as Trustee	7.00% Exchangeable Note Payable due 07/31/02 (293561882)	$342,515,936	ENE
Wells Fargo Bank, as Trustee	9.125% Note Payable due 04/01/03 (293561A Q9)	$190,856,046	ENE
Wells Fargo Bank, as Trustee	9.875% Note Payable due 06/15/03 (293561AF3)	$104,580,903	ENE
Wells Fargo Bank, as Trustee	7.875% Note Payable due 06/15/03 (293561CB0)	$336,872,656	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	Floating Rate Notes due 06/18/03 (XS0130764649)	$324,660,097	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.77% Bond due 06/18/03 (XS0130765026)	$81,334,720	ENE
Wells Fargo Bank, as Trustee	6.625% Note Payable due 10/ 15/03 (293561BN5)	$72,269,723	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.97% Bond due 06/18/04 (XS0130823593)	$81,408,566	ENE
Wells Fargo Bank, as Trustee	7.625% Note Payable due 09/10/04 (293561AR7)	$191,351,671	ENE
Wells Fargo Bank, as Trustee	6.75% Note Payable due 09/01/04 (293561AY2)	$86,323,180	ENE
Wells Fargo Bank, as Trustee	6.75% Senior Notes due 09/15/04 (293561BM7)	$40,577,500	ENE
Wells Fargo Bank, Minnesota, N.A. as Trustee	4.375% Bond due 04/08/05 (XS0096366686)	$368,604,875	ENE
Wells Fargo Bank, as Trustee	8.375% Note Payable due 05/23/05 (29357WAA5)	$175,366,406	ENE
Wells Fargo Bank, as Trustee	6.625% Note Payable due 11/15/05 (293561BS4)	$250,782,118	ENE
Wells Fargo Bank, Minnesota, N.A. as Registrar and Agent Trustee, Paying Agent	9.625% Note Payable due 03/15/06 (460575AR4)	$172,370,780	ENE
Wells Fargo Bank, as Trustee	6.40% Note Payable due 07/15/06 (293561BT2)	$239,729,931	ENE
Wells Fargo Bank, as Trustee	7.125% Senior Notes due 05/15/07 (293561AX4)	$149,501,323	ENE
Wells Fargo Bank, as Trustee	6.875% Note Payable due 10/15/07 (293561AZ9)	$89,798,837	ENE
Wells Fargo Bank, as Trustee	6.725% Note Payable due 11/15/08 (293561BP0)	$200,635,139	ENE

Name of Trustee / Payee / Principal Obligee (as of July 31, 2003)	Instrument/CUSIP or ISIN	Amount Outstanding as of the Petition Date (unless otherwise noted)	Debtor
Wells Fargo Bank, as Trustee	6.75% Note Payable due 08/01/09 (293561BA3)	$182,549,719	ENE
Wells Fargo Bank, as Trustee	7.375% Note Payable due 05/15/19 (293561BX3)	$385,658,448	ENE
Wells Fargo Bank, Minnesota, N.A. as Trustee	Convertible Senior Note due 2021 (293561CC8/293561CD6)	$1,271,856,649	ENE
Wells Fargo Bank, as Trustee	7.00% Senior Debentures due 08/15/23 (293561AU0)	$17,155,658	ENE
Wells Fargo Bank, as Trustee	6.95% Note Payable due 07/15/28 (293561BW5)	$200,456,176	ENE
Wells Fargo Bank, as Trustee	6.95% Note Payable due 07/15/28 (293561BU9)	$184,707,191	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.52% Bond due 05/15/02 (XS0129515077)	$203,196,763	ENE
The Chase Manhattan Bank, as Issuing and Principal Paying Agent	0.493% Bond due 06/13/02 (XS0131599044)	$162,447,128	ENE
Wells Fargo Bank, as Trustee	6.50% Note Payable due 08/01/02 (293561BL9)	$153,277,083	ENE
JPMorgan Chase, as Issuing and Paying Agent	Enron Corp. Commercial Paper Program (29356AYW0)	$4,340,743.75	ENE
National City Bank, as Trustee	7.85% Subordinated Debentures due 2016	$184,275,878	ENE
National City Bank, as Trustee	7.85% Subordinated Debentures due 2016, Series II	$138,218,479	ENE
National City Bank, as Trustee	7.85% Debentures due 2016	$29,483,978	ENA
National City Bank, as Trustee	7.85% Debentures due 2016	$29,483,978	ETS
National City Bank, as Trustee	Subordinated Guaranty of 7.85% Debentures due 2016	$29,483,978	ENE
National City Bank, as Trustee	7.85% Debentures due 2016, Series II	$22,118,048	ENA
National City Bank, as Trustee	7.85% Debentures due 2016, Series II	$22,118,048	ENA
National City Bank, as Trustee	Subordinated Guaranty of 7.85% Debentures due 2016 Series II	$22,118,048	ENE

The following prepetition claims for syndicated credit facilities and syndicated letter of credit facilities were outstanding as of December 2, 2001 and are entitled to vote on the Plan:

Name of Agent/Payee (as of July 31, 2003)	**Facility**	**Amount Outstanding as of the Petition Date**
Citibank and JPMorgan Chase, as Co-Administrative Agents	Senior Unsecured Revolving Credit Facility	$1,750,000,000
Citibank and JPMorgan Chase, as Co-Administrative Agents	Senior Unsecured Revolving Credit Facility	$1,250,000,000
West LB as Issuing Bank	Unsecured Letter of Credit Facility	$166,000,000
JPMorgan Chase, as Issuing Bank	Unsecured Letter of Credit Facility	$290,000,000

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
ENRON CORP., et al.,	:	Case No. 01-16034 (AJG)
	:	Jointly Administered
Debtors.	:	

ORDER PURSUANT TO SECTIONS 105, 502, 1125, 1126, AND 1128 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2002, 3003, 3017, 3018 AND 3020 (I) APPROVING THE DISCLOSURE STATEMENT FOR AMENDED JOINT PLAN OF AFFILIATED DEBTORS; (II) SETTING A RECORD DATE FOR VOTING PURPOSES; (III) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF; (IV) APPROVING FORMS OF BALLOTS AND ESTABLISHING PROCEDURES FOR TABULATION OF THE VOTE ON THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS; AND (V) SCHEDULING A HEARING AND ESTABLISHING NOTICE AND OBJECTION PROCEDURES IN RESPECT OF CONFIRMATION OF THE AMENDED JOINT PLAN OF AFFILIATED DEBTORS

Upon the motion, dated September 18, 2003 (the "Motion"),[1] of Enron Corp. and its affiliated debtor entities (collectively, the "Debtors"), for an order, pursuant to sections 105, 502, 1125, 1126 and 1128 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 3003, 3017, 3018, and 3020 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), (a) approving the Debtors' Disclosure Statement for Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (as amended, the "Disclosure Statement"); (b) setting a record date for voting purposes; (c) approving the Solicitation Packages and procedures for distribution thereof; (d) approving forms of Ballots and establishing procedures for tabulation of the vote on the Debtors' Amended Joint Plan of

[1] Capitalized terms not otherwise defined herein have the meanings set forth in the Motion.

Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code (as amended, the "Plan"); and (e) scheduling a hearing and establishing notice and objection procedures in respect of confirmation of the Plan, all as more fully set forth in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and venue being proper before the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409; and a hearing having been held on October 29, 2003 (the "Hearing"), to consider the Motion; and it appearing from the affidavits and certifications of service and publication on file with the Court (collectively, the "Affidavits") that proper and timely notice of the Hearing has been given; and it appearing that such notice was adequate and sufficient; and the Court having reviewed the Disclosure Statement, the Motion, the papers in support thereof, and the responses thereto, if any; and a hearing having been held before the Bankruptcy Court on October 29, 2003; and upon the Disclosure Statement, the Motion, the papers in support thereof and the responses thereto, if any, and the record of the Hearing and upon all of the proceedings heretofore before the Court and after due deliberation and sufficient cause, the Court having found and determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and that the relief requested in the Motion is in the best interests of the Debtors, their estates, and creditors; and therefore

IT IS HEREBY FOUND THAT:

A. Notice of the Motion and the Hearing was served in accordance with the Scheduling Order Approving Form And Manner Of Notice For And Scheduling Hearing On The Debtors' Motion For Order Pursuant To Sections 105, 502, 1125, 1126, And 1128 Of The Bankruptcy Code And Bankruptcy Rules 2002, 3017, 3018 And 3020 (I) Approving The Amended Disclosure Statement; (I) Setting A Record Date For Voting Purposes; (III) Approving

Solicitation Packages And Procedures For Distribution Thereof; (IV) Approving Forms Of Ballots And Establishing Procedures For Tabulation Of The Vote On The Amended Joint Plan Of Affiliated Debtors; And (V) Scheduling A Hearing And Establishing Notice And Objection Procedures In Respect Of Confirmation Of The Amended Joint Plan Of Affiliated Debtors. The foregoing notice constitutes good and sufficient notice to all interested parties and no other or further notice need be provided.

B. The Disclosure Statement attached to the Motion as Exhibit A as it may be modified to reflect changes made or ordered on the record at the hearing contains "adequate information" within the meaning of section 1125 of the Bankruptcy Code.

C. The forms of the ballots (the "Ballots") attached to the Motion as Exhibit C and Exhibit D are sufficiently consistent with Official Form No. 14 and adequately address the particular needs of these chapter 11 cases and are appropriate for each class of claims entitled to vote to accept or reject the Plan.

D. The voting instructions attached to the Motion as Exhibit E contain adequate information and shall be included with each Ballot for general unsecured claims and convenience claims contained in Exhibit C and each multiple-tiered Ballot (as applicable) contained in Exhibit D. The Ballots for general unsecured claims based upon syndicated bank contain adequate information and voting instructions and, therefore, do not require separate voting instructions.

E. The Ballots require the furnishing of sufficient information to assure that duplicate Ballots are not submitted and tabulated.

F. Ballots need not be provided to the holders of unimpaired claims in Classes 1 and 2 because the Plan provides that such classes are unimpaired and, therefore, deemed to accept the Plan.

G. Ballots need not be provided to holders of intercompany claims in Class 185 because the Plan proponents are deemed to have accepted their own Plan.

H. Ballots need not be provided to the holders of claims and interests in Classes 181, 182, and 366 through 375 because the Plan provides that they will not receive or retain any property under the Plan in respect of such claims or interests and, therefore, are deemed to reject the Plan.

I. The period, set forth below, during which the Debtors may solicit acceptances or rejections of the Plan is a reasonable and adequate period of time for creditors to make an informed decision to accept or reject the Plan.

J. The procedures for the solicitation and tabulation of votes to accept or reject the Plan (as more fully set forth in the Motion and below) provide for a fair and equitable voting process and are consistent with section 1126 of the Bankruptcy Code.

K. The notice substantially in the form attached to the Motion as Exhibit B (the "Confirmation Hearing Notice") and the procedures set forth below for providing such notice to all creditors and equity security holders of the time, date, and place of the hearing to consider confirmation of the Plan (the "Confirmation Hearing") and the contents of the Solicitation Packages (as defined below) comply with Bankruptcy Rules 2002 and 3017 and constitute sufficient notice to all interested parties.

L. The Debtors have the right to seek modifications or extensions of the matters governed by this Order.

NOW, THEREFORE, IT IS ORDERED THAT:

1. The Motion is GRANTED.

2. Pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017(b), the Disclosure Statement as it may have been or may be further modified to reflect changes made or ordered on the record of the hearing is APPROVED.

3. October 20, 2003 will be the date established as the record date (the "Record Date") for purposes of this Order and determining which creditors are entitled to vote on the Plan; provided, however, that the Debtors may agree to a later date for the Record Date so long as such agreement is announced on the record in open court and reflected in the order approving the Disclosure Statement.

4. All objections to the Disclosure Statement, other than those withdrawn on the record at the Disclosure Statement Hearing, are overruled.

5. The Debtors are directed to distribute or cause to be distributed solicitation packages (the "Solicitation Packages") containing a copy of: (a) this Order (without the exhibits attached hereto); (b) the Confirmation Hearing Notice; and (c) either (i) a Ballot, together with a return envelope postage pre-paid and a CD-ROM containing the Disclosure Statement (together with the Plan attached thereto), or (ii) a Notice of Non-Voting Status (as defined below), as applicable, by no later than November 21, 2003 absent relief from the Court (the "Solicitation Date"), to:

(a) subject to sub-sections (c) and (d) below, record holders of scheduled claims, as of the Record Date, to the extent that such claims (i) are listed in the Debtors' Schedules in an amount greater than zero and are not identified as contingent, unliquidated or disputed, (ii) have not been superseded by a filed claim, and (iii) entitle the holder thereof to vote on the Plan;

(b) subject to subsections (c) and (d) below, record holders of filed claims, as of the Record Date, to the extent that such claims (i) are the subject of filed proofs of claim, (ii) have not been disallowed, expunged, disqualified or suspended prior to the Record Date, (iii) are not the subject of a pending objection as of the date set forth in the Temporary Allowance Procedures Order, and (iv) entitle the holders thereof to vote on the Plan;

(c) with respect to debt securities, the record holders of claims, as of the Record Date, to the extent that (i) such record holders are reflected in the records of The Depository Trust Company or the respective trustee or Indenture Trustee for the debt securities, and (ii) the holders of such debt security claims are entitled to vote on the Plan; and

(d) with respect to syndicated bank debt or other similarly situated creditor groups, the participating banks (to the extent of the total amount reflected in the books and records of the Debtors), as provided by the agent bank or other similarly situated agent as of the Record Date, or, if requested by the agent bank, to the agent bank to forward to the participating banks, to the extent that the holders of the applicable syndicated bank debt or other similarly situated debt are entitled to vote on the Plan.

provided, however, that the Debtors are not required to distribute CD-ROMs containing the Plan and Disclosure Statement to any holder of a claim or interest in Classes 1, 2, 181, 182 or 366 through 375, unless such party makes a specific request in writing for the same.

6. The Debtors are directed to distribute or cause to be distributed by the Solicitation Date, the Solicitation Package without a Ballot, voting instructions or return envelope to (a) the U.S. Trustee; (b) the attorneys for the Creditors' Committee and the Employee Committee; (c) attorneys for the Debtors' postpetition lenders; (d) the Securities and Exchange Commission; (e) the Internal Revenue Service; (f) Indenture Trustees; and (g) all parties that the Debtors are required to serve pursuant to the Bankruptcy Court's Case Management Order.

7. If service by CD-ROM, or obtaining a copy of the Plan and Disclosure Statement via the Internet websites listed in the Motion, imposes a hardship for any creditor (e.g., the creditor does not own or have access to a computer or the Internet), such creditor may

submit to the Debtors a signed certification of hardship (with supporting documentation, as appropriate) explaining why a paper copy should be provided to the creditor at the Debtors' cost. Upon receipt of a certification of hardship, the Debtors will evaluate whether an actual hardship appears to exist and, in the event that it does, the Debtors will provide such creditor with a paper copy of the Plan and Disclosure Statement at no cost to the creditor. If the Debtors determine that there is insufficient information to establish the existence of a hardship, the Debtors will consult with the Creditors' Committee prior to making a final determination to deny any such request.

8. Solicitation Packages, which shall include Ballots, shall be distributed to holders, as of the Record Date, of claims in Classes 3 through 180, 183, 184, and 186 through 365, which classes are designated under the Plan as entitled to vote to accept or reject the Plan.

9. Solicitation Packages, which shall include notices of non-voting status, substantially in the forms attached to the Motion as Exhibit F and Exhibit G (the "Notices of Non-Voting Status") (but which shall exclude the Plan, Disclosure Statement and any Ballots), shall be distributed to (a) holders, as of the Record Date, of unimpaired claims in Classes 1, and 2; and (b) all holders, as of the Record Date, of claims or interests in Classes 181, 182, 185 and 366 through 375, as applicable, which classes are designated under the Plan as not entitled to vote to accept or reject the Plan. Any identical claims in these classes that are filed multiple times by the same creditor against the same Debtor will receive one Notice of Non-Voting Status on account of such claims

10. Any creditor entitled to vote in a given class who has filed duplicate claims (meaning the claims are in the same amount, with the same classification and asserting

the same basis of claim) to be voted in such class shall be provided, to the extent possible, with only one Solicitation Package and one Ballot for voting a single claim in such class.

11. The Debtors are not required to distribute Solicitation Packages to creditors who have timely filed proofs of claim for amounts less than or equal to the amounts scheduled or for such claims by the Debtors if the claims have already been paid in the full scheduled or filed amount pursuant to an order by the Bankruptcy Court; provided, however, if, and to the extent that, any such creditor would be entitled to receive a Solicitation Package for any reason other than by virtue of the fact that its claim had been scheduled by the Debtors, such creditor will be sent a Solicitation Package.

12. The Debtors are not required to distribute Solicitation Packages to a party to an executory contract who does not hold either a filed or a scheduled claim (so long as such scheduled claim is not listed as contingent, unliquidated, or disputed), unless such party makes a specific request in writing for the same.

13. With respect to addresses from which notices of the applicable claims bar dates, notices of the Temporary Allowance Motion and notices of the Disclosure Statement Hearing have been returned by the United States Postal Service as undeliverable. Similarly, the Debtors anticipate that some of the notices of the Temporary Allowance Motions and/or the notices of the Disclosure Statement Hearing (the "Disclosure Statement Hearing Notices") may be returned by the United States Postal Service as undeliverable, the Debtors are excused from distributing Solicitation Packages to those entities listed at such addresses unless the Debtors receive written notice of accurate addresses for such entities, or accurate forwarding addresses from the United States Postal Service, before the Solicitation Date and the failure to distribute

Solicitation Packages to such entities will not constitute inadequate notice of the Confirmation Hearing, the Voting Deadline (as defined below), or violation of Bankruptcy Rule 3017(d).

14. With respect to the Solicitation Packages to be distributed to holders of claims or interests in Classes 181, 182, 185 and 366 through 375, the Debtors shall distribute or cause to be distributed Solicitation Packages, including Notices of Non-Voting Status, to the record holders of the Debtors' debt and equity securities in such nonvoting classes (the "Non-Voting Securities"), including, without limitation, brokers, dealers, commercial banks, trust companies, or other agents or nominees (collectively, the "Non-Voting Nominees") and each Non-Voting Nominee shall be entitled to receive reasonably sufficient numbers of Solicitation Packages to forward to the beneficial owners of the Non-Voting Securities and the Debtors shall be responsible for each such Non-Voting Nominee's reasonable, actual, and necessary out-of-pocket expenses associated with the distribution of Solicitation Packages to the beneficial owners of Non-Voting Securities.

15. The Non-Voting Nominees are authorized and directed to forward the Solicitation Packages to the beneficial owners of the Non-Voting Securities within five (5) business days of the receipt by such Non-Voting Nominees of the Solicitation Packages.

16. The Debtors will provide each Voting Nominee with a reasonably sufficient number of Solicitation Packages (including Ballots) to distribute to the Beneficial Holders of the claims for whom such Voting Nominee acts. The Debtors will reimburse such Voting Nominee's reasonable, actual, and necessary out-of-pocket expenses associated with the distribution of the Solicitation Packages to the Beneficial Holders of such claims.

17. The Voting Nominees for debt securities will have two options with respect to voting the ballot and master ballot attached to the Motion as Exhibit D-1 and Exhibit

D-2: (a) the Voting Nominee can forward the Solicitation Package to each Beneficial Holder entitled to vote on the Plan within five (5) business days of the receipt by such Voting Nominee of the Solicitation Package and include a return envelope provided by, and addressed to, the Voting Nominee to enable the Beneficial Holder to return the completed Ballot to the Voting Nominee, with the Voting Nominee then tabulating the vote and submitting a master ballot to the Solicitation Agent or (b) if applicable under the governing documents, the Voting Nominee can "prevalidate" Ballots and forward the Solicitation Package to each Beneficial Holder entitled to vote on the Plan to the Beneficial Holder within five (5) business days of the receipt by such Voting Nominee of the Solicitation Package and include a return envelope postage pre-paid provided by, and addressed to, the Solicitation Agent. To "prevalidate" a Ballot, the Voting Nominee will execute the Ballot and indicate on the Ballot the name of the registered holder, the amount of securities held by the Voting Nominee for the Beneficial Holder and the account number(s) for the account(s) in which such securities are held by the Voting Nominee and the Beneficial Holder shall return the prevalidated Ballot to the Debtors' Solicitation Agent by the Voting Deadline.

18. With respect to Master Ballots submitted by Voting Nominees and/or pre-validated ballots submitted by or through the Voting Nominees:

(a) all Voting Nominees to which Beneficial Holders return their Ballots shall summarize on the Master Ballot all Ballots cast by the Beneficial Holders and return the Master Ballot to the Solicitation Agent; provided, however, that each Voting Nominee shall be required to retain the Ballots cast by the respective Beneficial Holders for inspection for a period of at least one (1) year following the Voting Deadline;

(b) votes cast by the Beneficial Holders through a Voting Nominee by means of a Master Ballot or prevalidated Ballot shall be applied against the positions held by such Voting Nominee as evidenced by a list of record holders provided by The Depository Trust Company and compiled as of the Record Date; provided, however, that votes submitted by a Voting Nominee on a Master Ballot or prevalidated Ballot shall not be counted in excess of the position maintained by such Voting Nominee as of the Record Date;

(c) to the extent that there are over-votes submitted by a Voting Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, the Solicitation Agent will attempt to reconcile discrepancies with the Voting Nominee;

(d) to the extent that over-votes on a Master Ballot or prevalidated Ballot are not reconciled prior to the preparation of the vote certification, the Solicitation Agent will apply the votes to accept and to reject the Plan in the same proportion as the votes to accept or reject the Plan submitted on the Master Ballot or prevalidated Ballot that contained the over-vote, but only to the extent of the position maintained by such Voting Nominee as of the Record Date;

(e) multiple Master Ballots may be completed by a single Voting Nominee and delivered to the Solicitation Agent and such votes shall be counted, except to the extent that such votes are inconsistent with or are duplicative of other Master Ballots, in which case the latest dated Master Ballot received before the Voting Deadline shall supersede and revoke any prior Master Ballot; and

(f) each Beneficial Holder shall be deemed to have voted the full amount of its claim.

19. Additionally, the Debtors may use the form of Ballot attached to the Motion as Exhibit D-3 to enable Voting Nominees to solicit the votes of Beneficial Holders of debt securities where the role of these Voting Nominees is to cast a single vote on behalf of their constituency in accordance with the exercise of their fiduciary duties and/or pursuant to the terms and provisions of the governing documents and applicable law. The Ballots attached to the Motion as Exhibit D-3 will be prevalidated for direct return by the Beneficial Holder to the Voting Nominee or if requested by the Voting Nominee in writing, to the Solicitation Agent so as to be received by no later than Noon (New York City Time) on January 5, 2004. The Debtors

may use the form of Ballot attached to the Motion as Exhibit D-4 as a Ballot to enable the Voting Nominees to cast a single vote on behalf of their constituency for or against the Plan.

20. If the Debtors discover any additional claims related to debt securities, syndicated bank debt or similarly structured claims that require multiple-tier voting procedures, the Debtors will use the solicitation and tabulation procedures applicable to such claims in accordance with the procedures approved in this Order.

21. All Ballots (and in the case of voting securities, Master Ballots), except for the Ballot attached to the Motion as Exhibit D-3, must be properly executed, completed, and the original thereof shall be delivered to the Solicitation Agent so as to be actually received by Debtors' solicitation and tabulation agent by no later than 4:00 p.m. (New York City Time) on January 9, 2004 (the "Voting Deadline").

22. The Debtors are authorized to reimburse any reasonable, actual and necessary out-of-pocket expenses incurred by The Depository Trust Company, trustees, brokerage firms or any nominee or trustee of beneficial holders of debt securities in connection with the distribution of the Solicitation Packages.

23. To the extent that a creditor was not initially sent a Solicitation Package, but the creditor's claim is later temporarily allowed for voting purposes in accordance with the provisions of the Temporary Allowance Procedures Order, then the Debtors will mail, via express or overnight mail, a Solicitation Package to such creditor within five (5) business days after entry of an order temporarily allowing such creditor's claim for voting purposes provided such order is entered by the Court on or before December 19, 2003.

24. Solely for purposes of voting to accept or reject the Plan and not for the purpose of the allowance of, or distribution on account of, a claim and without prejudice to the

rights of the Debtors in any other context, each claim entitled to vote to accept or reject the Plan shall be entitled to vote the amount of such claim as set forth in the Schedules, unless such holder has timely filed a proof of claim, in which event such holder would be entitled to vote the amount of such claim as set forth in such proof of claim; provided, however, that the foregoing procedures will be governed in accordance with the temporary allowance procedures previously approved by the Bankruptcy Court pursuant to the order approving the Temporary Allowance Motion.

25. In order to facilitate tabulation of the votes on the Plan, the following tabulation procedures are hereby approved:

(a) a vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that a vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code;

(b) any Ballot that is returned to the Solicitation Agent, but which is unsigned, or has a non-original signature, shall not be counted;

(c) all votes to accept or reject the Plan must be cast by using the appropriate Ballot and in accordance with the voting instructions attached to the Motion as Exhibit E and as set forth on the Ballot and votes that are cast in any other manner shall not be counted;

(d) a holder of claims in more than one (1) class must use separate Ballots for each class of claims;

(e) a holder of claims shall be deemed to have voted the full amount of its claim in each class and shall not be entitled to split its vote within a particular class;

(f) any Ballot (except a Master Ballot) that partially accepts and partially rejects the Plan shall not be counted;

(g) if a holder of claims casts more than one (1) Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Solicitation Agent shall be counted;

(h) if a holder of claims casts Ballots received by the Solicitation Agent on the same day, but which are voted inconsistently, such Ballots shall not be counted;

(i) any executed Ballot received by the Solicitation Agent that does not indicate either an acceptance or rejection of the Plan shall not be counted;

(j) any executed Ballot received by the Solicitation Agent that indicates both acceptance and rejection of the Plan shall not be counted;

(k) any entity entitled to vote to accept or reject the Plan may change its vote before the Voting Deadline by casting a superseding Ballot so that it is received on or before such deadline; and

(l) the Solicitation Agent shall not accept a vote by facsimile, telecopy transmission or electronic mail.

26. Unless otherwise provided in accordance with the procedures set forth in the Temporary Allowance Procedures Order or further order by the Bankruptcy Court, for voting purposes only, the creditors holding claims listed on Exhibit H to the Motion will be entitled to vote the dollar amount of their claims; provided, however, that the aggregate dollar amount of such creditors' claims may not exceed the dollar amounts listed on Exhibit H to the Motion.

27. The Confirmation Hearing Notice is approved.

28. The Confirmation Hearing will be held at 10:00 a.m. (New York City Time) on January 26, 2004; provided, however, that the Confirmation Hearing may be adjourned from time to time by the Court or the Debtors without further notice to parties other than an announcement in Court at the Confirmation Hearing or any adjourned subsequent Confirmation Hearing and the Plan may be modified pursuant to the section 1127 of the Bankruptcy Code prior to, during or as a result of the Confirmation Hearing, pursuant to the terms of the Plan, or with consent from the Creditors' Committee without further notice to parties-in-interest.

29. The Debtors shall publish the Confirmation Hearing Notice not less than twenty (20) days before the deadline to file objections to confirmation of the Plan, in each of *The Wall Street Journal* (National Edition), *The New York Times* (National Edition), *The Houston Chronicle*, *Financial Times*, *Los Angeles Times*, *The Oregonian*, *Omaha World-Herald*, *Seattle Times Post-Intelligencer*, *The Luxembourg Wort*, and *El Nuevo Dia*. Additionally, the Debtors will publish the Confirmation Hearing Notice electronically on the website authorized by the Case Management Order, http://www.elaw4enron.com as well as http://www.enron.com/corp/por.

30. Objections to confirmation of the Plan, if any, must (a) be in writing; (b) be in the English language; (c) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (d) state with particularity the basis and nature of any objection; and (e) be filed, together with proof of service, with the Court and served so that they are actually received no later than 4:00 p.m. (New York City Time) on January 9, 2004 by each of the parties identified in the Confirmation Hearing Notice at the respective addresses set forth therein.

31. Objections to confirmation of the Plan not timely filed and served in the manner set forth above shall not be considered and shall be overruled.

32. The Debtors are authorized to take or refrain from taking any action necessary or appropriate to implement the terms of and the relief granted in this Order without seeking further order of the Court.

33. The Debtors are authorized to make nonsubstantive changes to the Disclosure Statement, Plan, Ballots, Confirmation Hearing Notice, and related documents, with consent from the Creditors' Committee, without further order of the Court, including, without

limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan, and any other materials in the Solicitation Package prior to their distribution.

34. The requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a memorandum of law is waived.

Dated: New York, New York
____________, 2003

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HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE